

THORSTEIN VEBLEN: HIS LIFE, INFLUENCES, IDEAS, AND IMPACT

by |

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## PREFACE

The following paper is presented in partial fulfillment of the requirements for the Master of Arts degree in Economics, at Kansas State University.

The subject-matter of the paper was chosen because one of the fields of emphasis of the writer, in pursuing the Doctor's degree, will be the field of History of Economic Thought. In addition, the field of major emphasis will be that of Labor Economics, which is Institutional in its scope, for the most part.

The Definitions section of the paper contains a listing of those terms and concepts which Thorstein Veblen used over which it is felt there might be some confusion.

The first chapter of the paper contains a short biography of Thorstein Veblen's life, plus some comments on his personality and teaching ability. In addition, it contains a chronological listing of his major writings, with some explanation of the theme of each work. The bulk of the material for this section of the paper is drawn from Joseph Dorfman's work entitled Thorstein Veblen and His America.

Chapter II is an attempt to cite the major influences on Veblen's ideas, from both people and events. No attempt has been made to present the complete ideas of the men listed, as this falls outside the purview of this paper; in addition, it might be added that in the bulk of the

sources listed, the writer's knowledge is very scanty.

Chapter III contains what the writer believes to be Veblen's ideas, and constitutes the bulk of the paper. The section begins with Veblen's criticisms of schools of economic thought, because it is in his suggestions for improvements of their theories that his own ideas lie. His criticisms of both the German Historical School and of Karl Marx are given a very facile treatment, because it is believed by the writer that it is in his criticisms of the "orthodox" school's tradition that the basis of his ideas is to be found.

The paper passes from there to Veblen's interpretation of history, which includes his analysis of instincts. The remainder of the chapter is composed of Veblen's cycle theory and his theory of growth.

For the latter, the writer is indebted to Mr. A. G. Gruchy's article on "Veblen's Theory of Growth," found in Thorstein Veblen: A Critical Appraisal, for both the direction and the organization.

The final chapter contains some of the ways in which Veblen has had an impact on the men and ideas, both of the time while he lived and the period since.

The paper is in no way to be construed as a critique of Thorstein Veblen. Rather, as the title suggests, it is an attempt at a study of Veblen's life and writings, on the basis of trying to determine what his ideas were, although the final section does make some assessment of the place of Veblen's greatest impact.

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## INTRODUCTION TO DEFINITIONS SECTION

The following section of the paper contains a listing of those terms and concepts which Thorstein Veblen used over which it is felt there might be some confusion.

As can be seen, it is by no means a listing which is exhaustive of Veblen's terminology, but only of those terms which at first sight seem to conflict with the term as commonly understood today.

## DEFINITIONS

State of the Industrial Arts.--A "joint stock" of technical knowledge, which is the basis of all productive industry, and to which no man, or group of men, may lay exclusive claim.<sup>1</sup>

Institution.--An institution "is of the nature of a usage which has become axiomatic and indispensable by habituation and general acceptance."<sup>2</sup> Or, as Mitchell has stated it: "Institution is merely a convenient term for the more important among the widely prevalent, highly standardized social habits which mold human behavior."<sup>3</sup> It might be further stated that as Veblen saw them, institutions originated by some twist of man's nature and native endowment, but the persistence of institutions is chiefly due to the encrustations of habits of thought and actions.<sup>4</sup>

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<sup>1</sup>Thorstein B. Veblen, The Engineers and the Price System (New York: B. W. Huebach, 1921), p. 132.

<sup>2</sup>Thorstein B. Veblen, Absentee Ownership and Business Enterprise in Modern Times: The Case of America (New York: B. W. Huebach, 1923), p. 101.

<sup>3</sup>Institutional Economics, Veblen, Commons, and Mitchell Reconsidered: A Series of Lectures by Joseph Dorfman, C. E. Ayres, N. W. Chamberlain, Simon Kusnets, and R. A. Gordon. (Berkeley and Los Angeles: University of California Press, 1963), p. 97.

<sup>4</sup>Max Lerner (ed.), The Portable Veblen (New York: The Viking Press, 1960), p. 23.

Instinct.--An instinct is a culturally significant pattern of behavior which has persisted from the earliest known culture to the present.<sup>5</sup>

It should be pointed out that to Veblen the meaning of "instinct" was substantially different from what we mean when we talk today of an "instinctive act," or an animal's instinct. These Veblen would term "tropismatic action." Instinct, as distinguished from tropismatic action involves consciousness and adaptation to an end aimed at.<sup>6</sup> Intelligence provides the motive for instinctual behavior, and although this is a curious inversion of the conventionally accepted meaning, it doesn't seem that there is any other that could be ascribed to Veblen. He distinguishes between the intelligent or cognitive instinct and the reflexive tropism; or, in his own words:

All instinctive action is intelligent in some degree; though the degree in which intelligence is engaged may vary widely from one instinctive disposition to another; and it may even fall into an extremely automatic shape in the case of some simple instincts, whose fundamental content is of a patently physiological character ....All instinctive action is intelligent in some degree. This is what marks it off from the tropisms and takes it out of the category of automatisms.<sup>7</sup>

The Instinct of Idle Curiosity.--This instinct might be termed similar to what is today referred to as "pure" or basic research. One writer has described it as "the disinterested seeking after knowledge

<sup>5</sup>Douglas F. Dowd (ed.), Thorstein Veblen: A Critical Reappraisal (Ithaca, N. Y.: Cornell University Press, 1958), p. 28.

<sup>6</sup>Thorstein B. Veblen, The Instinct of Workmanship and the State of the Industrial Arts (New York: The Macmillan Company, 1914), p. 5.

<sup>7</sup>Ibid., p. 30.



for its own sake."<sup>8</sup> In Veblen's words, it is the seeking after knowledge "apart from any ulterior use of the knowledge so gained."<sup>9</sup>

The Instinct of the Parental Bent.--Once again, one must be careful of how one uses a term. To Veblen:

The 'Parental Bent' is an instinctive disposition of much larger scope than a mere proclivity to the achievement of children.... This instinctive disposition has a larger part in the sentimental concern entertained by nearly all persons for the life and comfort of the community at large, and particularly for the community's future welfare.<sup>10</sup>

The Instinct of Workmanship.--This instinct plays the central role in what one writer has termed Veblen's "Theory of Instincts." The instinct is the force inherent in all men which gives them a "taste for effective work, and a distaste for futile effort."<sup>11</sup> This force is so strong that even when faced with a pecuniary culture, where the "predatory" instincts reign supreme, the instinct is still present under the form of pecuniary emulation. This is so because when "circumstances or traditions of life lead to an habituation and comparison of one person with another in point of efficiency, the instinct of workmanship works out in an emulative or invidious comparison of persons.... Visible success becomes an end sought for its own utility as a basis of

<sup>8</sup>Dowd, op. cit., p. 42.

<sup>9</sup>Thorstein B. Veblen, The Higher Learning in America: A Memorandum on the Conduct of Universities by Business Men (New York: B. W. Huebach, 1918), p. 3.

<sup>10</sup>Veblen, The Instinct of Workmanship..., p. 26.

<sup>11</sup>Thorstein B. Veblen, The Theory of the Leisure Class: An Economic Study of Institutions (New York: The Macmillan Company, 1899), p. 29.



esteem....The result is that the instinct...works out in an emulative demonstration of force."<sup>12</sup>

Conspicuous waste.--Any expenditure which does not "serve to enhance human life on the whole -- /that does not/ further the life of the community."<sup>13</sup> Under this head Veblen would have included nearly all expenditures which dealt with the pecuniary, as opposed to industrial, transactions.

Pecuniary capital.--Wealth employed in investment of capital in the business sense of the word. Pecuniary capital is related to the idea of ownership, and includes things such as any intangible assets (goodwill, etc.) not necessarily related to the material means of industry.

Industrial capital.--Wealth, material means of industry, physically employed for industrial ends. Industrial capital is of a mechanical nature, subject to the laws of physics and chemistry, not to those of the psychology of acquisition.<sup>14</sup>

Invidious comparison.--"A comparison of persons with a view to rating and grading them in respect of relative worth or value...and so awarding and defining the relative degrees of complacency with which they may legitimately be contemplated by themselves and others. An invidious comparison is a process of valuation of persons in respect of

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<sup>12</sup>Ibid., p. 30.

<sup>13</sup>Ibid., p. 79.

<sup>14</sup>Joseph Dorfman, Thorstein Veblen and His America (New York: Augustus M. Kelley, 1966), pp. 200-01.

worth."<sup>15</sup> Invidious comparisons are the outcome of peoples "habits of thought" which arise with the rise of the institution of private ownership, as do all other "predatory" instincts and habits, such as the leisure class, business enterprise, etc.

Leisure.--With this term, as with others, such as "Idle Curiosity," we are again reminded of Veblen's dextrous handling of the English language. Webster would define leisure as "freedom afforded by exemption from occupation, or leisure; time free from employment." However, Veblen cautions us against that definition. To him, "the term 'leisure,' as here used, does not connote indolence or quiescence. What it connotes is non-productive consumption of time" -- non-productive in the sense that the effort engaged in is not undertaken "ostensibly" for an "increase of wealth by productive effort," or adding to the material wealth of the community by producing items necessary for maintaining the livelihood of the community."<sup>16</sup>

Good Will.--Veblen defines Good Will as being items which a company possesses which have the common trait of being "immaterial wealth," or "intangible assets." Good Will is the difference between the capitalized value of a concern and the actual material assets owned by the concern. "These assets are not serviceable to the community, but only to their owners." Good Will includes reputations, franchises and privilege, trade-marks, brands, patent rights, copyrights, etc. "All

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<sup>15</sup>Veblen, The Theory of the Leisure Class, p. 40.

<sup>16</sup>Ibid., p. 44.

these items give a differential advantage to their owners, but they are of no aggregate advantage to the community."<sup>17</sup>

Ceremonial Adequacy.--"The determination of competence not by (technological) demonstration but by ritual." As Mr. Ayres points out, it is a result of the system of status, or as Veblen would put it, "an outgrowth of the institution of private ownership. The distinction of status was established first, and it was thereafter assumed to coincide with the technological competency." The term is employed most extensively with reference to educational degrees.<sup>18</sup>

Vestigial Ceremony.--A vestigial ceremony is one which has lost the greater part of its original meaning and is carried on now, for no particular reason, by force of social habit.<sup>19</sup> This is commented upon, for the most part, in Veblen's Section on graduation ceremonies and the like.<sup>20</sup>

Cumulative Causation.--This concept is the central point of all Veblen's thinking. It permeates his view and interpretation of history, his concept of evolution of instincts and institutions, and his theory of growth. To Veblen, each new material or cultural setting is the result of all that has preceded it, and "embodies essential features all that

<sup>17</sup>Thorstein B. Veblen, The Theory of Business Enterprise (New York: Charles Scribner's Sons, 1904), p. 70.

<sup>18</sup>Veblen, The Higher Learning..., pp. 115-118.

<sup>19</sup>C. E. Ayres, The Theory of Economic Progress (2d ed.; New York: Schocken Books, 1962), p. 156.

<sup>20</sup>Veblen, The Higher Learning..., pp. 115-118.

has been affected by what went before. The life of man in society, just like the other species, is a struggle for existence and therefore it is a process of selective adaptation. So, social and economic evolution appears as a process of natural selection of institutions. The speed of change is conditioned by the "cultural lag, or the speed of the change in 'habits of thought' of the individuals which make up the community."<sup>21</sup>

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<sup>21</sup>Veblen, The Theory of the Leisure Class..., p. 188.

## CHAPTER I

### VEBLEN'S HOME LIFE, EDUCATION, AND MAJOR WRITINGS

#### Chronology of His Life and Education

Thorstein Veblen was born on July 30, 1857, the sixth of twelve children, to Thomas and Kari Veblen, Norwegian immigrants living in Wisconsin. His parents had come to the United States as the result of a law suit in which Thomas Veblen's father had been forced to sell Veblen, his farm, to pay for the cost of litigation. (This incident, plus others, went far to color Thorstein Veblen's views toward lawyers, as will be pointed out later.)<sup>22</sup>

Soon after Veblen was born, his father was forced off his first homestead in the United States. This was common, and one Norwegian visitor, in writing home, shows the Norwegian immigrants' view of the problem:

Yankees...know how to introduce a certain appearance of law and order into a practice which in the nature of the case is the direct opposite of law and order.<sup>23</sup>

With practices such as these, there is little wonder that the Norwegian communities distrusted lawyers. Veblen, growing up in this atmosphere, was of course influenced by the attitude.

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<sup>22</sup>Dorfman, op. cit., p. 3.

<sup>23</sup>Ibid., p. 5.

The community life which Veblen had for approximately seventeen years, in both Wisconsin, and later in Cato, Minnesota -- to which the family later moved -- was the life of rural Norway. The customs were Norwegian, as were the stories, language, and education. The women worked in the fields with the men, in contrast to the typical American woman, whom the Norwegians felt did nothing but "dress herself, attend church, and take care of her nerves." The Norwegian farmer located for the purpose of obtaining a living by working the farm, as contrasted to American farmers, who were "interested primarily in the speculative value of land rather than in the farm as a means of livelihood."<sup>24</sup>

The Veblen family was what Veblen might have termed a "patriarchal" home. Veblen's father hadn't yet been too well indoctrinated into the idea that children should be allowed to have some discretion as to what they wished to do. This is well illustrated by the manner in which it was decided that Veblen should attend school. In 1874, at the age of seventeen, Veblen was brought in from the field and was told that he was going to go to Carleton College Academy. His father acted in his usual abrupt way and decided, without first determining whether Thorstein wished to go, or for that matter, where he wished to go. He simply had Thorstein summoned from the field, and placed in the carriage, along with his already packed luggage.<sup>25</sup>

During the summers of the years that Veblen spent at Carleton Academy and Carleton College proper, he became friends with a German exile by the name of Pentz, who resided at a near-by German settlement.

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<sup>24</sup>Ibid., pp. 6-7.

<sup>25</sup>Ibid., p. 13.



Pentz and the people of the German settlement taught Veblen German, and he could thus study their epics in the original. He later turned this ability to good use at the University of Chicago, where he reviewed many of the books of the German writers for The Journal of Political Economy. In addition, Pentz had a well-stocked personal library which included the works of writers such as Hume, Rousseau, Huxley, Kant, Mill, Tyndall, and other free thinkers whose works were not at Veblen's disposal at Carleton.<sup>26</sup>

While at Carleton, Veblen met Ellen Rolfe, niece of the President of Carleton, and daughter and niece of railroad magnates. Evidence is given of Veblen's already wide knowledge of Norwegian sagas by the fact that he traced Ellen's lineage and convinced both himself and her that she was a descendant of Gange Rolfe, the first Viking chief.

In Ellen, Veblen found a personality as brilliant and as gifted as himself, and no better adjusted. The women at Carleton were critical of her, just as the men were of Veblen. A classmate described her as "dreamy, introspective, disinclined to active physical effort," and "lacking physical fortitude. The painstaking operations of everyday life seemed to interest her less than the smallest details of life far removed."<sup>27</sup>

As far as his education at Carleton itself was concerned, Veblen pursued a course of study which included the social sciences, natural history and philology -- from which he obtained the equipment for studying science and the languages -- and philosophy -- which gave him his

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<sup>26</sup>Ibid., pp. 30-1.

<sup>27</sup>Ibid., p. 33.



preconceptions of economic thought.<sup>28</sup>

In 1880, after being in Carleton College proper for two years, Veblen petitioned the faculty to be allowed to take the last two years in one year. The faculty was skeptical of his ability to do it, but finally agreed to let him do so, and Veblen graduated at the end of the year with honors. He began his teaching career the following year at tiny Monona Academy, a church-operated school in Madison, Wisconsin. However, the school was having difficulties, and closed permanently at the end of that year, after which Veblen followed his brother Andrew to Johns Hopkins, with the intent of studying philosophy.

However, in the 1870's the American farmer was hard hit by panics, low prices for farm products, and grasshopper plagues. As a result of these factors, Veblen's parents, like thousands of other farmers, were hard hit financially.

In order to keep the children in school at Carleton, Thomas Veblen had to make special arrangements. Consequently, when Monona Academy closed and Veblen went to Johns Hopkins he had to obtain an assistantship in order to remain. Failing to obtain the scholarship for which he applied, he was forced to leave before the end of the term, and from there he went to Yale.

At Yale, financial matters were not much better. He was able to obtain his board at the Collegiate and Commercial Institute at New Haven, in return for one or two hours of teaching, but was forced to

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<sup>28</sup> Lev E. Dobriansky, Veblenism -- A New Critique (Washington, D. C.: Public Affairs Press, 1957), p. 28.

quit when he engaged in fist fights with some of the students.<sup>29</sup>

During this period at Yale, Veblen was treated to a rare sight. In his study of Philosophy, he came under the tutelage of Charles Sumner and Nosh Porter. He was treated to the end of a two-year conflict between Sumner, who was Philosophy instructor, and Porter, the President of the university, over whether Sumner would be allowed to use Herbert Spencer's Study of Sociology in his classes. Porter, the champion of Classical and Moral Philosophy, assailed the book for its "evolution as an axiom" in science, and regarded it as "an offense against good taste and decency." Needless to say, he won the conflict at that time.<sup>30</sup>

In 1883, while still at Yale, Veblen won the John A. Porter award of \$250.00 for a paper on the distribution of surplus funds by the federal government in 1837. The paper was to include the uses of the funds by the states, and what inferences were "to be drawn as to the political and economic effects of such a proceeding." Sumner, who was in charge of the project, was very impressed with Veblen's paper and thought Veblen should use it for a doctoral dissertation.

Veblen, however, was still interested in Philosophy, and his studies placed him in close contact with President Porter. They so often took walks together that other students, seeing them walking together talking over philosophy, referred to him as "Porter's chum." He finally chose the topic of "Ethical Grounds of a Doctrine of Retribution" for his doctoral dissertation, and showed what would seem to be

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<sup>29</sup>Dorfman, op. cit., p. 41.

<sup>30</sup>Ibid., p. 43.

a fairly thorough working knowledge of both Spencer and Kant.<sup>31</sup>

Upon graduation from Yale, Veblen was to encounter the first of his many disappointments and frustations in securing teaching appointments. Even with impressive recommendations from J. B. Clark -- one of his instructors at Carleton -- and Noah Porter, when he left Yale in 1884 with his Philosophy Doctorate, Veblen was unable to secure a position at any university. "College teachers, especially those with philosophical inclinations, were still taken primarily from the ranks of divinity students."<sup>32</sup>

With no place to go after graduation, Veblen returned home, where he was to remain until 1888. If anything, he was more exasperating than when he had lived there as a youngster. He attempted to convince everyone in the family that they were tubercular and hadn't long to live. He was very adept at taking the horse and buggy at just the time they were most needed on the farm. He told his parents that they would never make good businessmen because they weren't dishonest enough. One younger brother, apparently not overly impressed by Veblen's "erudition," described him thusly: "He read and loafed, and the next day he loafed and read."

In 1886, he became engaged to Ellen Rolfe, whom he had met at Carleton College. However, any thoughts of marriage were shunted aside by another frustration. In the winter of 1885-6, Andrew attempted to obtain a position for Thorstein at the University of Iowa, where Andrew taught, but a Yale Divinity student nosed him out.

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<sup>31</sup>Ibid., pp. 45-6.

<sup>32</sup>Ibid., pp. 54-5.

During the period of enforced unemployment, Veblen "read everything he could possibly obtain, including books from the libraries of Lutheran ministers, novels, poetry, and hymn books, as well as learned treatises.... For intellectual companionship, he had his remarkable father. He told Ellen Rolfe upon his return from Yale that he had never met his father's intellectual equal."<sup>33</sup>

Veblen finally married Ellen Rolfe in 1888. According to Dorfman, it was a marriage of convenience as much as anything else. "Ellen wanted attention which she thought to find in marriage, and to Veblen it offered a substitute for his financial problems.... It was planned to make Veblen an economist for the Santa Fe reilroad, of which William Barstow Strong Ellen's uncle was President." Thomas Veblen described the marriage as one between two sick people who expected something to come of it. However, shortly after the marriage, the Stronges lost their position, money, and railroad.<sup>34</sup>

Following their marriage, and while living with Ellen's parents in Staceyville, Iowa, Veblen began the translation of the Laxdaele Saga from the Icelandic. It was from this saga and others like it that Veblen obtained many of his ideas about early cultures.

Although the translation impressed the neighbors -- whom Ellen convinced that Veblen was the only person capable of performing the feat -- with his wisdom and sagacity, it did not help the family coffers, so in 1889 and 1890, Veblen applied for positions at the University

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<sup>33</sup>Ibid., pp. 55-7.

<sup>34</sup>Ibid., p. 66.

of Iowa, as Superintendent of the public schools at Werner, South Dekote, and at St. Olaf's College, but with no success. His lack of a divinity degree still hampered him.

His family thought it quite a disgrace that a thirty-four year old man was doing nothing, so in 1891 they held a family conference and decided to send him back to school. Veblen chose to go to Cornell University. In an attempt to obtain a scholarship, Veblen walked into the office of J. Laurence Laughlin, of the Economics Department, with the statement, "I am Thorstein Veblen." All of the scholarship money was already out, but he impressed Laughlin so much that the latter secured for him a special grant. In 1892, Laughlin became one of the "victims" of one of President Harper's raids on other universities, and went to Chicago as Head of the Department of Economics. He took Veblen with him as a Fellow at the salary of \$520.00.

At Chicago, Veblen edited and wrote articles for The Journal of Political Economy, wrote addresses for President Harper, and taught a course in American agriculture his first year. He also translated books from German, wrote book reviews, and the last quarter taught a course in Sociology. It must certainly have seemed to Veblen that he and his work were being disparaged, because he had his Doctor of Philosophy degree, and was only a Fellow, while two former class-mates of his (Johns Hopkins University) were associate professors, one without even having the normally required Doctor's degree. It wasn't until he had been at the University of Chicago for three years (1892-1895) that Veblen was appointed Instructor.<sup>35</sup>

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<sup>35</sup>Ibid., p. 132.



In 1899, at the age of forty-two, after having spent seven years at Chicago, Veblen was still an instructor. When he asked for the customary few hundred dollars raise, Harper told him that he appreciated his services, but would have no objections if Veblen went elsewhere. His biggest objection was that Veblen "did not advertise the university." Veblen promptly informed him that he had no intention of doing so, and wrote out a letter of resignation. Dorfman makes the comment that: "He did not really want to leave, and Laughlin went to Harper and secured the raise."<sup>36</sup> It was a good thing for Harper that he complied with the wish of Laughlin, for that year The Theory of the Leisure Class gave Harper and the University a most signal "advertisement." Harper showed his appreciation by appointing Veblen to a position as assistant professor in 1900.

Probably the problem which most plagued Veblen during his teaching career was that of his extramarital affairs. It caused him to lose his positions at both Chicago and Stanford, and brought his many separations and finally divorce from his wife, plus the fact that it gave him a reputation with which few universities wish to have any connection. The following comment by Dorfman points to the irony of the situation: "Women were much attracted to Veblen, and he knew how to hold their interest. But in these friendships he seems to have been the pursued, rather than the pursuer."<sup>37</sup> [This observation would seem to coincide with the comment Veblen made to an associate at Stanford: "What is one to do when the woman moves in with you?" ] Finally, after a European

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<sup>36</sup>Ibid., p. 174.

<sup>37</sup>Ibid., p. 252.

trip in which his affairs had been publicized, he thought it best to begin seeking a new position in 1904. However, due to his reputation it wasn't until 1906, and then only with the help of former students and colleagues, that he received an appointment to the position of associate professor of Economics at Stanford University.

Veblen's personal misfortunes continued. His father died in 1906, and mother followed soon after. His wife left him and went to Idaho to stake a timber claim. After convincing her to go to Palo Alto with him, Veblen no more than got there when his extramarital affairs began anew. Ellen left him again, only to be reunited with him soon after. Finally in 1908, Ellen left Veblen for good, and as a settlement he had to turn over one-half his salary to her.

This was not the extent of the problems caused by his extramarital intemperance, however. He made application to the University of Toronto, but the circumstances of his dismissal from Stanford caused him the loss of any chance at that position. He attempted to obtain money for a project entitled "As to a Proposed Inquiry into Baltic and Cretan Antiquities," and received no end of lavish endorsements, but could find no one interested in financing the project. Finally, a former student -- H. J. Davenport -- persuaded Ross A. Hill, President of the University of Missouri, to take Veblen on in 1911.

Also in 1911, Ellen divorced him, on the grounds of non-support. As his part of the agreement, Veblen was to furnish twenty-five dollars a month, and Ellen commented at the time that he "probably will not do it." She was right.



In 1914, Veblen was remarried; this time to Anne Fessenden Bradley, a divorcee with two daughters, whom he had known in Chicago and California. The new Mrs. Veblen was a radical Socialist who attempted to put into practice a literal form of Veblen's teachings.<sup>38</sup>

Veblen remained at the University of Missouri from 1911 until 1917, at which time President Hill allowed him a leave of absence -- from which he never returned -- to accept employment as a minor official in Colonel House's committee on possible peace settlements. He also served in Washington as economist in the Food Administration as a special investigator into the procedure of price-fixing. He lasted only five months at the latter post, and three of his suggestions on improvements were shelved without comment: "Using the I.W.W. to Harvest Grain," "A Schedule of Prices for the Staple Food Stuffs," and "Menial Servants during the Period of the War." (All were later reprinted -- 1927 -- in Essays in Our Changing Order.)

Two former students -- Walter Stewart and Walton Hamilton -- secured Veblen for a series of lectures at Amherst in 1918, after he had left his position with the Food Administration. He had been offered a position of assistant on the War Labor Board, at a salary of \$4800.00, but declined it to become editor of The Dial. Dorfman thinks it quite ironic that The Dial, the magazine founded by Ralph Waldo Emerson, "had now as a star contributor a man whose entire work was directed towards undermining the Emersonian pragmatic philosophy."<sup>39</sup> It was from the articles published in The Dial in 1918 and 1919 that Veblen drew the

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<sup>38</sup>Ibid., p. 304.

<sup>39</sup>Ibid., p. 411.

material for three later books.

The year 1918 was a year of both happiness and sorrow for Veblen. In the first place it was the year his book, The Higher Learning in America -- the first book he did not have to subsidize -- was published. It was also the year his second wife began having delusions that he was being persecuted. She suffered a nervous breakdown and had to be placed in an institution. Veblen was now really alone.

During the period since leaving Missouri, Veblen had been constantly under the observation of one or another of his former students. Leon Ardzooni, who had been looking after him in Washington, was forced to return to California in 1918, and Isador Lubin, another former student, who had been working with Mitchell, brought his work to Washington to take over the task. This gives one some of the examples of the devotion shown by people who had come into intimate contact with Veblen.

Veblen began the last phase of his teaching career at the New School of Social Research in 1919, at a salary of six thousand dollars, \$4500.00 of which was contributed by a former student who had been under him at the University of Chicago. The faculty that first year was a veritable galaxy of luminaries. In addition to Veblen there were Charles Beard, Wesley Mitchell, and James Harvey -- the "Big Four." John Dewey agreed to give lectures. Others included Leon Ardzooni, Harold Laski, and Dean Roecoe Pound.

The year 1919 through the year 1923 constituted the most productive period of Veblen's life. In this period he published four of his books. Finally, after much agitation, in 1925, due to the persistence of Mitchell

Paul Douglas, and others, Veblen's name was put forth as a candidate for President of the American Economic Association. He was elected, but turned it down with the comment: "It gave me great pleasure to refuse him E. R. A. Seligman, Chairman of the nominating committee/. They didn't offer it to me when I needed it."<sup>40</sup>

In the year 1917, Veblen had had high hopes that the Russian Revolution would usher in his dreamed-of society, but was soon disappointed. Again in 1919, when President Wilson left for Europe, Veblen felt that there was a chance for an upturn in Western Civilization. When the General Strike began in Great Britain in 1926, Veblen seriously thought that this was the beginning of his "Soviet of Technicians," only to be sorely disappointed again. He laid the fault to the fact that the British Laborites still wished to save the British Empire. Their dismal failure helped to complete the breakdown of Veblen's faith in the possibility of a New Order by relatively peaceful means.

The last phase of Veblen's life began with his return to Palo Alto, California, in 1926. Dorfman tells us that:

He did not like to return to his property in California, which was near Stanford, for it was, he said, like going into cold storage. But that was the only choice he could make. He expected to stay in California only until something happened, but he had no definite plans. Accompanied by his stepdaughter Becky, a nurse, he went back to the West, a defested man, and this time there was to be no return.<sup>41</sup>

Upon returning to his house in Palo Alto, Veblen had trouble getting in. His former wife, Ellen, had given a man permission to use the house for as long as he wished. After obtaining possession, Veblen

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<sup>40</sup>Ibid., p. 492.

<sup>41</sup>Ibid., p. 496.

lived there for a year. A description of the place is as follows:

The house was bare and barnlike, inside and out; dusty and so devoid of ordinary comfort that one felt as if someone from a very alien culture were camping in it -- someone to whom our chairs and beds and tables are but useless curiosities. In mistaken concern various persons brought him rugs and cushions, but he really did not like those things; the chair he built for himself was a high-backed settle of bare wood. /Practically a description of the furniture used by Norwegian immigrants./ Not a leaf or insect was disturbed. Wood rats had free access even to the larder, and a skunk would brush itself against his leg, as a cat would.<sup>42</sup>

The end of Veblen's life was not a happy one, as the following extensive quotation from Dorfman shows:

As the end drew on, Veblen felt extremely lonely and neglected. He thought everyone had forgotten him.... Finally, he would not even see even old and true friends.... Although business prosperity was increasing, Veblen's material fortunes were on the decline. The raisin industry /in which he had heavily invested/ collapsed... His oil stocks were worthless.... Veblen continually worried about his finances.... And up to the very day of his death he was trying futilely to get his money out of the raisin industry.... He wanted to return to Washington Island, and Becky said he had a 'nostalgia' for the place.... He died on August 3, 1929. The records gave heart disease as the cause.<sup>43</sup>

What type of personality does a man like Veblen possess? What would lead him to throw away a chance at a brilliant writing and teaching career for a few extramarital dalliances? What was there about him that would cause him to be ironically amused where most men would be angry?

In the next brief section, an attempt will be made to show -- with the use of illustrations -- some of the things that went into the make-up of Thorstein's personality, although it is not an attempt at analysis of that personality.

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<sup>42</sup>Ibid., p. 497.

<sup>43</sup>Ibid., pp. 502-3.

## Personality

One writer has described Veblen's personality in the following manner: "A bewildering and complex personality, locked within himself and with only one avenue for expression; he wrote in razorlike English in a style much like himself, involuted and laden with esoteric information and terminology; a kind of surgical style that left the world raw and exposed, but perfectly bloodless, so fine-edge was his blade."<sup>44</sup>

All sources seem to agree that Veblen was an introvert, as far as he personally was concerned. His irony was a mask that no one, including his two wives, could penetrate. Probably the best statement of this position is that in Wesley Mitchell's What Veblen Taught. Perhaps the most conclusive proof of this is the manner in which he invariably presented his books for publication with some statement such as the publisher would not be able to sell it. In class at Chicago he went through parts of The Theory of the Leisure Class, and his only comment was that the students "would probably find it polysyllabic."

Veblen never really "fit in" at the Eastern universities. In addition to being very poor, his "Norwegian airs" set him off from his classmates. The sardonic side of his character -- which at home had led him to provide caustic nicknames that stuck -- led him to tell divinity students at Yale that he was ready "to accept God as a metaphysical necessity," but was not sure of the place of Jesus Christ.

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<sup>44</sup>Robert L. Heilbroner, The Worldly Philosophers (New York: Simon and Schuster, 1961), p. 188.



The Reverend George W. Henderson, a friend of Veblen's at Yale, described him "as a spectator viewing life from a detached position, interested in it as an enticing object of study but one for which he had no responsibility."<sup>45</sup> This would seem to coincide with the comment, already noted in the preceding section, about his house as looking like it belonged to a person "from a very different and alien culture." Veblen was the product of a different culture, as will be discussed under the section on influences.

Just like his writings, Veblen's life seems to be made up of conflicts. J. B. Clark thought Veblen to be a misfit, but yet considered him to be the "most acute thinker" in his classes. His "A Plea for Cannibalism," and "An Apology for a Toper," delivered at Carleton College, threw the faculty into an uproar, as Veblen knew they would. However, when Clark asked him if he were apologizing for the toper (drunkard), Veblen replied that he was "simply engaging in scientific observation."

Veblen could be sadistically cruel when he wished. Once, in class, he caused a very religious young girl to shed tears by asking her what her church was worth to her in kegs of beer. He used to leave letters he received from his illicit love affairs in his pockets, where Ellen was sure to find them. That this side of his character continued into his later life is evidenced by the fact that after he returned to Palo Alto in 1926 he borrowed a sack from a passing farmer and returned it to him with a nest of hornets in it. On a trip to Norway, where he

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<sup>45</sup>Dorfman, op. cit., p. 42.

was given a first-class pass on the railroads, he dressed in overalls so that when the conductor came along to evict him -- as Veblen knew he would -- he could show the pass and be over-joyed at watching the contempt on the man's face he replaced by obsequiousness.

The dual side of Veblen's character is shown by the fact that he could also be loving and generous. On the same trip to Norway, he was invited to a banquet at which the King of Norway and Sweden was present. Knowing his mother's love of the "Old Country," Veblen sent her the banquet program. Mrs. Veblen was thrilled that her son had met a king.

His helpfulness and generosity with his time and resources are attested by the story one student tells of the time Veblen spent a solid month petitioning for an assistantship for him. Included in the month were twelve personal visits by Veblen to the person granting the assistantship. Another example was the fact that he allowed the Duffus brothers to share his home while at Stanford in order to cut down their expenses. He also had the Duffus boys' father with him while the latter was ill, and at the same time nursed a tubercular student at his (Veblen's) home.<sup>46</sup>

Another facet of his character is shown by the following quotation, drawn from Dorfman:

When it looked for a time as though they might have a child, he fell into a panic and told his wife that she would have to go back to her home and stay in seclusion until it was over. He thought he was not the proper sort of man for a father. He once remarked to a friend that anthropologically the family consists of the mother and children, and the father's place in it is of little importance.<sup>47</sup>

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<sup>46</sup>Ibid., p. 272.

<sup>47</sup>Ibid., pp. 120-1.



In his later years, Veblen would allow no one to tamper with his work after he had finished. One incident while working on The Dial shows not only this idiosyncrasy but also the wide range of his reading.

Veblen had characterized Samuel Gompers as the "sexton beetle" of the American labor movement. In preparing the manuscript for print, one of the editors changed this to "sexton beadle." Veblen was furious. He wanted to know "if the unknown dunderhead who had mutilated his copy did not realize that a sexton beetle was an insect that spent its life in storing up and covering over dead things. Besides... Gompers looked more like a beetle."<sup>48</sup>

After one of his extramarital wanderings, Ellen once again left him, only to be surprised one day when he appeared, dangling one of her long black stockings, with the question: "Does this garment belong to you, Madame?"

Veblen's last wish gives one an insight into what he felt to be his true worth:

It is also my wish, in case of death, to be cremated, if it can be done conveniently, as expeditiously and inexpensively as may be, without ritual or ceremony of any kind; that my ashes be thrown loose into the sea, or into some sizable stream running to the sea; that no tombstone, slab, epitaph, effigy, tablet, inscription, or monument of any name or nature, be set up in my memory or name in any place or at any time; that no obituary, memorial portrait, or biography of me, or any letters written to or by me be presented or published, or in any way reproduced, copied or circulated.<sup>49</sup>

In this paragraph, one obtains something of his views on religion, as well as his views on ceremonial undertakings. It is almost as though he feared that his ideas might set up another "institution" and wished

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<sup>48</sup>Ibid., p. 412.

<sup>49</sup>Ibid., p. 504.

to scotch it at once. Mr. Dorfman's book is ample proof that a good number of his wishes have been ignored, and there are a good many other examples, such as the overly-ardant student who wished the American Economic Association to place a bust of Veblen on the Chairman's desk.

How does one evaluate such a personality? Psychologists have attempted to do so, and have not been too fortunate. Perhaps indicative of the views on Veblen is the following comment taken from an editorial following the publication of Veblen's three essays written while working for the Food Administration. It showed the then prevailing conflict over the meaning of Veblen; it probably also shows the present conflict over the same thing: "It is a sign of the times that we are left wondering for a moment whether to regard this article ["Menial Servants during the Period of the War"] as a brilliant bit of playful irony or as the proposing of a war-measure which can be expected to receive serious consideration at the hands of the Federal Government."<sup>50</sup>

This "bewildering and complex" personality had much to do with Veblen's teaching ability and style, and it is to this stage of his make-up that the paper now turns.

#### Teaching Ability

In any analysis of Veblen's teaching ability, one must be careful to determine the type of student one is referring to. As far as the "average" college student was concerned, Veblen was anything but an impressive teacher. He rambled on in a low, uninspiring monotone.

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<sup>50</sup> Ibid., p. 392.

When one student asked him to repeat something, Veblen said that he didn't "think it worth repeating." One student described him as an "exceedingly queer fish." He didn't believe in giving grades, or examination, for that matter, but he did give both, if only "to conform to the necessary ritual or university life." He gave all students "C" for a grade, and thus frustrated a number of social fraternity hopefuls, whom he didn't have much use for, anyway.

Because of his unique style of teaching, he was never confronted with very large classes, at Chicago, Stanford, or Missouri. At the New School of Social Research, for example, students would be drawn to his classes because of his name, but the number soon dwindled to a handful. At Stanford, one class began with twelve students, but ended up with only three.<sup>51</sup> One is tempted to believe that one of the main reasons for his ineffective teaching, at least at Stanford and Missouri, was the fact that he had nearly all undergraduate students, and his obsession with the idea that universities were not the place for undergraduate students is well-documented in The Higher Learning in America.

For the better students, however, Veblen served as an inspiration. A graduate student gives this opinion of his teaching ability and style; it is quoted at some length, because it gives one an impression of his teaching style, but also of his erudition and intelligence, and other characteristics of his personality.

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<sup>51</sup>Ibid., pp. 273-4.

He who listened day after day found the unusual manner nicely fitted to convey the detached and slightly sardonic intellect that was moving over the face of things.... The scholarliness of his mind was amazing and delightful. He held in memory detail that would have overwhelmed most minds and become an end in itself; and never lost the magnificent charting of large design. He lectured without notes, he rarely consulted a memorandum in giving assignments, though they ranged over geography, anthropology, ethnology, biology. The quiet voice might in one minute make the most adroit use of a bit of current slang or popular doggerel to point out an opinion and the next might be quoting stanza after stanza of a Medieval latin hymn.

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 No passion of hope or preference, no scornful explosions or condemnations, just a remorseless massing of facts that drove home the plasticity of the human mind under economic facts, no matter how free it felt itself.<sup>52</sup>

From the foregoing examples, it would appear that Veblen's teaching, just as his life and personality, was a series of conflicts. The same may be said of his writings, to which the paper now turns.

#### Chronology and Themes of his Major Writings

One thing which can be stated about nearly all Veblen's major writings is that they were the culmination of a series of articles, as will be indicated by the books themselves. Another is that the basis for his writings is a conflict between opposing forces in the society in which we live.

Veblen's first book, The Theory of the Leisure Class: An Economic Study of Institutions, appeared in 1899. It was a broadening, in large part, of the ideas on pecuniary emulation which he first put forth in "The Economic Theory of Women's Dress." Another article, "The Barbarian Status of Women," also contains many of the articles later found in the

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<sup>52</sup>Ibid., pp. 316-17.

book, as do other writings. The ideas, according to Veblen, had been found in his boyhood. In fact, according to the Preface, "the data employed to illustrate or enforce the argument have by preference been drawn from everyday life, by direct observation or through common notoriety, rather than from more recondite sources at a farther remove."<sup>53</sup>

One writer has given, as the main formal reason for publishing the book, the wish to present a psychogenetic analysis of modern social behavior in order to undermine the prevailing Marginal Utility theory with its hedonistic explanation of consumptive behavior.<sup>54</sup>

The theme of the book is a conflict between the instinct of workmanship -- which a culture based on pecuniary principles has conditioned into becoming pecuniary emulation -- and the predatory instincts based on the institution of private property ownership.

Although most of the advocates and critics of the book saw it as a brilliant satire on the life of the rich in this country, it is in reality an attempt at a theory which describes the actions of the people in this society, driven by the spirit of emulation, in aping the actions of the "upper classes." His uses of terms such as "barbarian" and "predatory" make them synonymous with "business" and "capitalist." The book is also an attempt at a description of the institutions making up the culture and the way they arrived at the place which they occupy today.

Lester A. Ward, in a review of the book published in The American Journal of Sociology, made a prophetic statement when he said: "The

<sup>53</sup>Veblen, The Theory of the Leisure Class..., p. xi.

<sup>54</sup>Dobriansky, op. cit., p. 18.



language is plain and unmistakable, as it should be, and some of it is likely to become classic." /Emphasis added/<sup>55</sup>

It was five years before Veblen's second book, The Theory of Business Enterprise (1904), was published. As with the previous book, it was preceded by articles such as "An Early Experiment in Trusts," and "The Use of Loan Credit in Modern Business." The latter article contains the bulk of what has been termed Veblen's cycle theory.

The book is an elaboration of his basic theme of conflicting instincts. In this instance the conflict is between industrial and business enterprise. He develops his ideas more fully, and gives his ideas of the reasons why business enterprise and the machine process are so implacably opposed.

The next fourteen years were spent in writing journal articles and teaching. The thinking and writing in this period culminated in a series of books, the first of which was entitled The Instinct of Workmanship and the State of the Industrial Arts, published in 1914. It is essentially a summary of his course on "The Economic Factors in Civilization."<sup>56</sup> To Veblen, this was his most important work and it closed a cycle begun with "The Instinct of Workmanship and the Irksomeness of Labor" (1898). The book is an elaboration of this essay. The work is an elaboration of the theme contained in his first book; how the impact of pecuniary institutions have degraded the business of productive labor and molded the instinct of workmanship into that of

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<sup>55</sup>Dorfman, op. cit., p. 194.

<sup>56</sup>Veblen, The Instinct of Workmanship..., p. 27.

pecuniary emulation. 'The prevalence of salesmanship, that is to say of business enterprise...is perhaps the most serious obstacle which the pecuniary culture opposes to the advance of workmanship. It...contaminates the sense of workmanship in its initial move, and sets both the proclivity to efficient work and the penchant for serviceability at cross purposes with the common good."<sup>57</sup>

This work also contains the definition of workmanship as a "sense of merit and demerit with respect to the material furtherance or hindrance of life [which] approves the economically effective act and deprecates economic futility." It also defines the "Parental Bent."<sup>58</sup>

According to one author, the book is described as containing "the affirmative side of his thought -- how man's deepest drive is to create and not to waste or destroy, what the main phases have been through which Western history has passed in the development of technology from the stone Age to the modern machine industry, and what has happened in each phase to man and his unyielding instinct."<sup>59</sup> (One can see this theme embroidered upon from the appearance of the theme in the article in 1898, through his first two books, to this point.)

The year 1915 saw the publication of Veblen's fourth book, Imperial Germany and the Industrial Revolution. This book shows his use of two key ideas -- the state of the industrial arts and the

<sup>57</sup>Dorfman, op. cit., p. 324.

<sup>58</sup>Veblen, The Instinct of Workmanship..., p. 26.

<sup>59</sup>Lerner, op. cit., p. 7.



cultural incidence of the machine process -- to explain the difference in strength of the German and British economics and their divergent political themes. In it he expounds his famous "merits of borrowing and penalty of taking the lead" concept.

Now, when any given technological...element crosses the frontier between one culture and another, in the course of the borrowing, it is likely to happen that it will come into the new culture stripped of most or all of its anthropomorphic or spiritual virtues and limitations.<sup>60</sup> /Quoted out of text/

The reason Germany had forged ahead was that she could "borrow" a completely developed technological system from England without taking along the cultural institutions which caused a drag on the economic progress. Modern Germany as a dynastic state is the result of placing a modern machine technology on a base of barbaric institutions.

Borrowing has two effects. In the first place:

On the adoption of new industrial ways and means,...there follows a growth of conventional usages governing the utilization of the new ways and means....The borrowed elements of industrial efficiency would be stripped of their fringe of conventional inhibitions and waste, and the borrowing community would be in a position to use them with a freer hand and with a better chance of improving on them with their uses, and carrying the principles (habits of thought) involved in the borrowed items out, with unhampered insight....The borrowers are in a position of advantage...in that the new expedient comes into their hands more nearly in the shape of a theoretical principle applicable under given physical conditions.

In a country like Japan or Germany, borrowing has the secondary effect of removing some of the institutional hindrances of the barbaric

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<sup>60</sup> David Reisman, Thorstein Veblen: A Critical Interpretation (New York: Columbia University, King's Crown Press, 1950), p. 67.

culture of the borrowers.<sup>61</sup> This is so because, just as the culture determines the use to be made of technology, so the constant use of technology aids in the development of "habits of thought" conducive to the machine technology. It is a course of interaction between the culture -- composed of institutions -- and the machine technology.

World War I was also the cause of Veblen's next book, An Inquiry into the Nature of the Peace and the Terms of Its Perpetuation. The preface informs the reader that the subject matter of the book is an inquiry into what is required for Kant's enduring peace.<sup>62</sup> In the book, Veblen asks the question of whether the "underlying subject German population" is to be held responsible for the actions of the "Imperial warlike enterprise," and concludes that they had suffered enough as it was, since their only fault was "an habituation of servile abnegation of those traits of initiative and discretion" which make man a responsible agent. Even if one were to punish the German people, no penalty would touch "the guilty core of a profligate dynasty."<sup>63</sup>

In "Patriotism, Peace and the Price System,"<sup>64</sup> Lerner presents that section of the book in which Veblen's views on the seldom-mentioned

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<sup>61</sup>Thorstein B. Veblen, "On the Merits of Borrowing," Imperial Germany and the Industrial Revolution. Reprinted in The Portable Veblen, Max Lerner (ed.), (New York: The Viking Press, 1960), p. 353.

<sup>62</sup>Dorfman, op. cit., pp. 356-57.

<sup>63</sup>Ibid., pp. 356-57.

<sup>64</sup>Thorstein B. Veblen, "Patriotism, Peace, and the Price System," The Nature of the Peace and the Terms of Its Perpetuation. Reprinted in The Portable Veblen, Max Lerner (ed.) (New York: The Viking Press, 1960), pp. 573-628.

role of government. His views on government could be implied from his statement that it is only in spite of government that an enduring peace can be made, since government is simply an extension of the class in power, which, in this case, is the pecuniary class. "It is for the benefit of the controlling investment interests that the governmental establishments engage in their war-like policies and the incredibly stupid but inevitable competitive race in armaments which must lead to war-like enterprise." Patriotism and loyalty are likewise fostered by the government for the benefit of the business classes. "Patriotism may be defined as a sense of particular solidarity in respect of prestige."<sup>65</sup> The patriotic spirit is one of emulation and invidious comparison, of sportsmanlike rather than workmanlike activity, "bent on invidious success," or "the defeat and humiliation of some competitor." In other words, patriotism is a device of the government to use the apparatus of force and war to put down threats against the system of ownership.

In order to achieve lasting peace, one must either submit to dynastic states or remove all traces of them. There will be no lasting peace until the price system -- the system of ownership and property which requires loyalty -- has been abolished.<sup>66</sup>

Veblen foresaw the need for a "neutral league," which would be approximately the same as a world government, to maintain the peace. If the league was not established, the pecuniary burdens placed on the peoples would be shifted to the populations, without seriously touching the responsible parties. This would only add fuel to patriotic animosity,

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<sup>65</sup>Ibid., pp. 573-77.

<sup>66</sup>Ibid., p. 628.

"and afford a new incentive to a policy of watchful waiting for a chance of retaliation."<sup>67</sup> (A prophetic statement.)

Veblen's attack on the United States educational system was the subject of his book, The Higher Learning in America, published in 1918, which he had been working on since his teaching days at Chicago.

In this book, the conflict takes the form of a dispute between the instinct of idle curiosity, which together with the instinct of workmanship forms the basis of the thinking of the scientist and scholar, and the predatory instincts embodied in the "Captains of Erudition" -- university administrations -- who are trying to bring the university under the sway of the ideas of the business world.

His attitude toward the American university system can be seen from the fact that when first asked what the sub-title of the book was to be he stated that it would be "A Study in Total Depravity."

In this book the competitive struggle for greater wealth becomes a competitive seeking for endowments and an increase of students from among the reputable. To Veblen, the only function of a true university should be "idle curiosity," or a quest after knowledge for its own sake, and the only students allowed should be those interested in the same.

While teaching, Veblen did many things to show his disgust for university traditions, such as taking roll, and seemingly absent-mindedly shuffling the cards of the missing students back into the pile or changing a student's grade from average to excellent to superior so that the student could graduate.<sup>68</sup>

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<sup>67</sup>Dorfman, op. cit., p. 365.

<sup>68</sup>Ibid., pp. 307-8.

In this book, Veblen attacks the ranking and status hierarchy that make up universities, the additions of undergraduate and professional schools, the athletic programs, and their ceremonial functions.

One can see his boyhood distrust of lawyers carried through to this point when he classifies law school as being devoted to the training of "practitioners of duplicity," and to the "inculcation of the strategy of successful practice, which is not unlike military strategy .... Schools of law...are in effect supported by the public against whose interests they are directed."

There is some hope for scholarship in the presence of the new foundations, but they provide no real solution, since they do not teach. Should they turn to teaching, "the dry rot of business principles and competitive gentility" would consume them, too. What is required is the abolition of the academic executive and the governing board. "Anything short of this heroic remedy is bound to fail, because the evils sought to be remedied are inherent in those organs." This solution would seem to follow that found in The Nature of the Peace.

Veblen's next book, The Place of Science in Modern Civilization and Other Essays, published in 1919, is a series of articles he had written earlier. It is the work of his former students, Walter Stewart, Wesley Mitchell, and Leon Ardzrooni.<sup>69</sup> The article entitled "The Place of Science in Modern Civilization," published in 1906, became the title of the collection. Another important essay was "The Socialist Economics of Karl Marx and His Followers" (1891). "The Preconceptions of Economic

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<sup>69</sup>Ibid., p. 447.



Science," (1898), and "The Limitations of Marginal Utility" (1909), contain the bulk of his criticisms of orthodox economics. The title article contains a diagnosis of the way in which the predatory culture turns the instinct of idle curiosity to the pursuit of pragmatism.

One writer has pictured The Vested Interest and the Common Man (title changed in 1920 from The Vested Interests and the State of the Industrial Arts), published in 1919, as "a popularization of his ideas on natural rights, technology, business enterprise and nationalism."<sup>70</sup> The book is a compilation of a series of articles published in The Dial from October, 1918 to January, 1919.

Once again the reader is faced with the dichotomy between pecuniary and technological interests. The book shows the development of what Veblen felt to be the coming conflict between pecuniary and technological employments. In this particular case the conflict is between the vested interests and the rest of the community.<sup>71</sup>

The theme of a coming conflict between pecuniary and technological employments shown in The Vested Interest.... is carried forward and embroidered in The Engineers and the Price System (1921). This book speaks of a coming revolution in existing institutions, based on the creative Master Technicians, since there was no revolutionary potential among the workers or farmers. Veblen looked for a coming of the "Soviet of Engineers." If they did not take over, the business system would degenerate into something similar to what we would today possibly term

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<sup>70</sup>Lerner, op. cit., p. 16.

<sup>71</sup>Dorfman, op. cit., p. 412.



Fascism. In this theme we see Veblen's hope for the type of society in which there would be no institutional hindrances to full economic growth. However, Veblen informs the Vested Interests, there is no need for alarm "just yet."<sup>72</sup> Certainly there is no cause for alarm for any danger from organized labor, for "at its best its purpose and ordinary business is to gain a little something for its own members at a more than proportionate cost to the rest of the community."<sup>73</sup> (This would seem to follow Veblen's characteristic characterization of Gompers as a "sexton baetle.")

If the engineers do fulfill their part -- and there is much doubt that they will -- they must perform certain tasks. In the first place, they must carry on a campaign which will inform the "underlying population" of what the resolution is all about, and they must work out a "common understanding and a solidarity of sentiment" with the working force engaged in the larger industries.<sup>74</sup>

Absentee Ownership and Business Enterprise in Recent Times: The Case of America, published in 1923, was Veblen's last book. In this book, Veblen moves from the theme of "imbecile institutions" to the underlying imbecile population who had for so long put up with the course of events. His sections on "The Independent Farmer,"<sup>75</sup> and

<sup>72</sup>Veblen, The Engineers and the Price System, p. 169.

<sup>73</sup>Dorfman, op. cit., pp. 433-39.

<sup>74</sup>Veblen, The Engineers and the Price System, p. 168.

<sup>75</sup>Veblen, Absentee Ownership..., pp. 129-42.

"The Country Town"<sup>76</sup> might well be taken as the result of his living on the American frontier in his youth.

Because the populace had put up for so long with the prevailing state of affairs, Veblen was fearful that business enterprise will "tend to become more feudalistic in character," until modern civilization collapses. Veblen declared that the aim of the book "is an objective, theoretical analysis and formulation of the main drift, as determined by the material circumstances of the case, including the industrial arts, and by the dominant institution of absentee ownership, including the use of loan credit."<sup>77</sup>

His feeling that civilization may be doomed is shown by the passage in which he states that:

It does not follow that the pressure of material necessity /which will have to shape the lines of material human conduct in the long run/, visibly enforced by the death penalty, will ensure such a change in the legal and moral practices as will save the nation from the death penalty.

The instinct of workmanship is still functioning, but by living under a pecuniary culture for such a long time, it has been altered to such an extent that the people now look to the modern Captain of Industry as primarily a master technician.<sup>78</sup>

An attempt will be made, in the next section, to show the more important men and events from which Veblen drew the ideas for the writings just discussed.

<sup>76</sup>Ibid., pp. 142-64.

<sup>77</sup>Dorfman, op. cit., pp. 466-72.

<sup>78</sup>Veblen, Absentee Ownership..., p. 107.

## CHAPTER II

### THE SOURCES OF VEBLEN'S IDEAS

#### Men and Their Ideas

In assessing the influences on Veblen's ideas, one must keep in mind that he had read widely in the fields of Anthropology, Biology, Philosophy, Sociology, Psychology, and History, as well as in Economics.

Probably the biggest influence in the field of sociology was that of W. I. Thomas, who taught in the Sociology Department at the University of Chicago at the time Veblen was there. Veblen attended his lectures on Animism and on Primitive Art. These courses, described as discussions of "primitive religious ideas and ceremonialism, their relation to other psychic and social activities, and their survival in modern customs and cultures," can probably be taken as the basis for Veblen's structure of primitive society and his contention that the animistic features make up part of today's culture.

The influence of economists was great -- although mostly of a negative character -- and only a few of the greater influences will be noted.

In the Italian Jean Leonard de Sismondi, many see the actual beginning of Institutionalism. Sismondi rejected the idea of the classical economists that wealth was physical riches.

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<sup>79</sup>Dorfman, op. cit., pp. 125-6.

Sismondi may be thought of as the forefather of Veblen's idea that the necessary task of economics was to study human institutions and behavior in order to understand and use economic science. Sismondi had the idea that wealth was human welfare and well-being that couldn't be calculated by monetary values. He raised further questions on the problems of poverty, unemployment, and recurrent depressions.<sup>80</sup>

Sismondi's influence can also be seen on the German Historical School. This school held that the conditions in Germany differed so largely from those in England that the classical theory was inapplicable in their country.

The largest difference was that government controls were much more strict in Germany than in England. Friedrich List and Heinrich Mueller were the early exponents of this doctrine and they advocated studying the institutions of the economy.

Gustav von Schmoller carried this idea even further and showed that cultures differed as the institutions of the environment differed. Because of this, the study of the individual should be correlated with that of study of the society as a whole.<sup>81</sup>

That Veblen is somewhat indebted to the German Historians he shows by the statement that the "most substantial and characteristic move in advance" was Schmoller's assertion that "observation and description, definition and classification, are preparatory work only...."

<sup>80</sup>George Sould, Ideas of the Great Economists (New York: The New American Library, 1955), p. 132.

<sup>81</sup>K. William Kapp and Lore L. Kapp, History of Economic Thought (New York: Barnes and Noble, Inc., 1949), p. 227.

There must remain before our eyes, as the ideal of all knowledge, the explanation of all facts in terms of causation."<sup>82</sup>

Although extremely critical of some of the ideas shown in Max Weber's Protestant Ethic, Veblen approved and accepted his contention that the essence of a predominantly capitalist culture like that of Western Europe was located, not in the rational self-determination of individuals, as the classical economists taught, but in a focusing of life about an "impersonal hierarchy" in which the behavior of the individual is determined by the duties established by the nature of the institutions which surround him.<sup>83</sup> Weber then goes on to show the origin of capitalism in the ideas of the protestant religion and uses this basis to explain why other cultures have not accepted the system of capitalism.

In the realm of orthodox economics it might be noted that J. B. Clark introduced Veblen to the formal study of Economics at Carleton College, and that he obtained his distinction between the laws of distribution and production by reading John S. Mill.<sup>84</sup>

According to Ellen Veblen, Edward Bellamy's Looking Backward changed their lives, by focusing their interests on social questions and leading Veblen from philosophy to economics.<sup>85</sup>

<sup>82</sup>Dorfman, op. cit., p. 147.

<sup>83</sup>Soule, op. cit., p. 134.

<sup>84</sup>Dowd, op. cit., p. 13.

<sup>85</sup>Reisman, op. cit., p. 9.



Bellamy's description of capitalism might well be that later used by Veblen in describing "business enterprise." His "human heritage" which "must...be construed,...and can only be construed, as an estate in common, essentially indivisible, to which all human beings are heirs...." sounds like Veblen's "state of the industrial arts."<sup>86</sup>

In the field of psychology, probably the greatest influence came from John Dewey, who was at Chicago during the period of Veblen's residence. Dewey advocated a psychology which states the "mental life in active terms," those of impulse and its development, instead of in passive terms, "mere feelings of pleasure and pain."<sup>87</sup>

This psychology gave Veblen a renewed sense of man as an active being -- an "agent" -- one who selects his environment as well as is shaped by it.<sup>88</sup>

Dewey's position was that of functional psychology, as opposed to the earlier associational psychology. His position "refuted the passivity of consciousness, the dependency of action upon external physical expectation.... It advanced...the...selective...activity of consciousness, determining the direction of attention in the process of doing."<sup>89</sup>

In addition to Dewey, the attacks of William James on Hegelianism, associationalism, and common sense philosophy, and his call for an

<sup>86</sup>Dorfman, op. cit., pp. 68-9.

<sup>87</sup>Ibid., p. 114.

<sup>88</sup>Reisman, op. cit., p. 19.

<sup>89</sup>Dobriansky, op. cit., p. 16.



analysis of conduct in terms of the agent's activity rather than in terms of pain and pleasure or common-sense morals, was one of the great impacts on Veblen's thinking.<sup>90</sup>

Along this same line, in one of his rare foot-notes, Veblen acknowledges his debt to McDougall's Social Psychology for his ideas on instincts.<sup>91</sup>

Probably the greatest impact on his method of studying economics came from Darwin. In this vein he obtained his biologically genetic approach, which he applied to explain human activities.<sup>92</sup> Into this framework he fitted the concepts of activity, consecutive change, and cumulative causation. He is Darwinian in the sense that he sees the study of economics as dynamic. He sees a world in flux where the process of change itself is important, or, as Lerner states it: "Veblen took from Darwin the basic scientific method which studied men in their continuous adaptation to their natural and social environment, a method which took men for what they were and saw the conditions of life ceaselessly changing."<sup>93</sup> That he did take his scientific method from Darwin can be seen by the fact that he divided sciences into pre- and post-Darwinian.

<sup>90</sup>Dorfman, op. cit., p. 76.

<sup>91</sup>Veblen, The Instinct of Workmanship..., p. 26.

<sup>92</sup>Wesley C. Mitchell (ed.), What Veblen Taught (New York: The Viking Press, 1936), p. xxxiv.

<sup>93</sup>Lerner, op. cit., pp. 21-22.

Veblen's debt to the American anthropologists Morgan and Tylor stem in part from his conception of culture as passing from savagery through barbarism to modern civilization.<sup>94</sup>

In addition to these writers, the American biologist Frank Boas' studies of the Kwakiutl Indians of British Columbia, in his series on property, with its idea of "Conspicuous waste" afforded Veblen some of the prime examples seen in his book The Theory of the Leisure Class.<sup>95</sup>

Veblen probably owes no debt to any discipline greater than that owed to philosophy. It was from his study of philosophy that he obtained his basis for attacking orthodox economics. As one writer states Veblen's position, it is as follows: "Veblen...entered the study of Economics with a formal philosophical background.... He used his philosophical equipment with overflowing zeal in his ceaseless attacks upon 'economic orthodoxy,' and in the construction of his own system of thought."<sup>96</sup>

The roots of Veblen's philosophical thinking go back to St. Augustine, with his idea of a constant war within man between the body and the mind -- the conscience aiming toward justice, love, charity, and faith; the body toward lust, power, avarice, and self-idolatry.<sup>97</sup>

<sup>94</sup> Bernard Rosenberg, The Values of Veblen (Washington, D. C.,: Public Affairs Press, 1956), p. 48.

<sup>95</sup> Dorfman, op. cit., p. 115.

<sup>96</sup> Dobriansky, op. cit., p. 3.

<sup>97</sup> Ibid., p. 61.

With Veblen this conflict becomes one between those instincts tending toward the good of men, and those of a predatory nature.

Augusto Comte's idea of historical continuity, along with that of development and evolutionary change, along with his idea of the need for a complex of sciences which would include mathematics, physics, psychology, sociology, and economics in order to understand the behavior of men and society were a further addition to Veblen's thought.<sup>98</sup>

Veblen would seem to have obtained his concept of the "peaceful savage" at least in part from Rousseau's "noble savage;" a man at peace with nature and sympathetic toward his fellow man.<sup>99</sup>

Like Hume, Veblen affirms curiosity as "the basis of knowledge," force and custom as the "historical origins of governmental authority," and morality as an "artificial conventionality," determined by "changing circumstances," and subject to the "natural altruism and sympathetic character of man."<sup>100</sup>

Spencer's evolutionary philosophy fitted in nicely with Darwin's evolutionary biological change, and his dichotomy of either a "servile and predatory" society, or a "peaceable and industrious" society, along with his account on institutions such as chattels, dress, etc., as a display of power, had a great influence on Veblen, as is evidenced in his writings. Veblen used Spencer's concept of evolution of society through subsequent phases, although he did not use the same phases.<sup>101</sup>

<sup>98</sup>Ibid., p. 86.

<sup>99</sup>Ibid., p. 82.

<sup>100</sup>Ibid., p. 79.

<sup>101</sup>Dorfman, op. cit., p. 127.

Although Spencer was a contemporary of Veblen's, Veblen got his first insight into Spencer from William Graham Sumner while doing graduate work at Yale. Sumner's attacks on the castelike education system and the curricula of the day which extolled the classics to the neglect of the scientific developments of the day must also be classified as affecting Veblen's views on higher education.

Other influences in this field would include that of Noah Porter -- at Yale -- in Kantian philosophy, and George Morris and Charles Pierce -- at Johns Hopkins -- in Hegelian and Kantian philosophy, and in logic, respectively.<sup>102</sup>

#### Events of His Lifetime

If the foregoing influences can be said to be the basis of Veblen's ideas, the events of his lifetime must be said to be the contributing factors for substantiation.

Veblen's father was a dominating influence in his growing years. He was the first to introduce farm machinery into his county. It was from his father that he acquired some of his most enduring traits. He valued the intellectual keenness and curiosity of his father, his industry, and love of innovation; his father attitude may be said to provide the genesis of his prying skepticism. This attitude distinguished much of his early period and his later writings in the sense of unconventional conduct being a preliminary to scientific understanding.<sup>103</sup>

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<sup>102</sup>Dobriansky, op. cit., p. 12.

<sup>103</sup>Reisman, op. cit., p. 5.

(One is reminded of Veblen's statement to Ellen to the effect that he "had never met his father's intellectual equal.") From his mother, Veblen learned the lore of the ancient Norwegians that was to play a role in his depiction of early life.

Veblen's community life was again a great boon to him, insofar as being an observer of social behavior in America. Veblen had the initial advantage of being from a different culture. It is this idea of being in a culture, but not of it to which Veblen, in "The Intellectual Pre-eminence of the Jews,"<sup>104</sup> attaches the most importance to the strength of the Jews in Modern Europe. More than one writer has seen this article as a self-portrait of Veblen; e.g., Mitchell, Dorfman, Heilbroner.

The Norwegian community in America faced the same situation. They formed a culture within a culture. While Veblen lived at home, the marked cultural cleavage that existed between the mid-western Norwegian communities and what is regarded as the American community had a large influence on him. Among first-generation immigrants, attempts are made to perpetuate the old group heritage. This was formidable among the Norwegians, who "proudly considered themselves as such, spoke predominantly Norwegian tongue, many without ever learning the English, and steadfastly maintained their customs in their peaceful atmosphere of rural Norway."

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<sup>104</sup>Thorstein B. Veblen, "The Intellectual Pre-eminence of the Jews in Modern Europe," Essays in Our Changing Order. Reprinted in The Portable Veblen, Edited by Max Lerner (New York: The Viking Press, 1960), pp. 467-79.

To this extent, then, a different culture subsisted here in a state of coexistence with the American. In this circumstance, an ensuing cultural chasm impressed itself upon Veblen's early life to afford him a base of objectivity concerning the cultural behavior of Americans.

The mid-western Norwegian culture was marked by the relative absence of class heirarchy, the complicated culture of a business-oriented society, and the dominance of pecuniary status. It was characterized by conditions of unsophisticated peasant-like organizations and the respectful value of direct productive output for human betterment. "These imposing differences tinge the several Veblenian categories supporting his analyses in economics, psychology and sociology."<sup>105</sup>

The contemptuous feeling of the dominant "Yankee" class was shown in the names of "Norwegian Indians," and "scandihoofians," which they coined for the Norwegian immigrants. In 1946, it was declared by Ellen Rolfe's uncle, W. B. Strong, in the Territorial Council of Wisconsin, that the Negroes were more deserving of the vote than the Norwegians.<sup>106</sup>

All of his life Veblen heard the complaints from the farmers against the business interests, especially railroads. The Panics of 1873 and 1884 were laid at the doors of these interests. The railroads were accounted the worst, because of their extortionate freight rates,

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<sup>105</sup> Dobriansky, *op. cit.*, p. 7.

<sup>106</sup> Dorfman, *op. cit.*, p. 5.



which were never lowered, even during periods of hard times.

It is not odd that Veblen could conceive of a dichotomy between pecuniary and industrial employments, as he does in his writings. The Theory of Business Enterprise could almost be looked upon as an account of business conducted by the Morgans, Rockefellers, Goulds, etc., when Veblen talks of ways of restricting production, eliminating competition, decreasing efficiency, etc. The same is seen when he discusses dealings in stock ownership, stock-jobbing, market-cornering, and mergers for profit.<sup>107</sup>

This is the period illustrated by Lincoln Stephens and other muck-rakers, and also the period of Ida Tarbell's History of the Standard Oil Company. Mathew Josephson's Robber Barons is probably the best descriptive account of the business practices of that time.

And the "Captains of Finance" were interested primarily in manipulation of the stock market for their own benefit. The typical attitudes of these men are expressed by comments from men such as J. pierpont Morgan to the effect that he "owed the public nothing," or that of Cornelius Vanderbilt: "What do I care about the law. H'ain't I got the power?"

This was the period of the most unbridled individuality this country has yet seen; the period when caveat emptor reigned supreme. A few examples will help to illustrate these points.

In one instance, when told by his superintendent of the dilapidated conditions of equipment and the dangerous state of his roadbeds, Jay

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<sup>107</sup>Soule, op. cit., p. 137.

Gould replied that: "The public can take care of itself. It is as much as I can do to take care of the railroad,"<sup>108</sup> by which he meant getting out of the financial hole Cornelius Vanderbilt had forced him into by his fight for control of the road.

Veblen might have obtained his ideas concerning the pecuniary interests' obsession with profits from investments from deals such as the following: Henry Rogers and Rockefeller purchased the Anaconda Copper Company without the expenditure of a single dollar of their own money in the following manner:

Rogers and Rockefeller gave a check for thirty-nine million dollars to Marcus Daly for the Anaconda properties on the condition that he would leave it in the National City Bank untouched for a specific period. Then they set up a paper organization known as the Amalgamated Copper Company, with their own clerks as dummy directors, and caused Amalgamated to buy Anaconda, not for cash, but for seventy-five million dollars in Amalgamated stock. From the City National Bank, Rogers and Rockefeller now borrowed thirty-nine million dollars to cover the check they had given to Daly, and as collateral for this loan they used the seventy-five million in Amalgamated stocks. They now sold the Amalgamated stocks on the market for seventy-five million dollars. With the proceeds, they retired the thirty-nine million dollar loan, and pocketed thirty-six million dollars as their profits.<sup>109</sup>

The dispute between Morgan and Jim Fisk over the control of the Albany-Susquahanana railroad is also a classic. Each of the disputants held an end of the road. To settle the dispute, each started an engine loaded with toughs from his end of the line, and ran them into each other, and when each side retired, they tore up the tracks and trestles as they went.<sup>110</sup> None of these accounts sound like men engaged in a

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<sup>108</sup>Heilbroner, *op. cit.*, p. 203.

<sup>109</sup>*Ibid.*, p. 184.

<sup>110</sup>*Ibid.*, pp. 182-3.

competitive struggle to earn profit on the productivity of their assets.

One final example of the use made of his lifetime in his writings is that of the material for The Higher Learning in America. Veblen makes it clear in the Preface that he obtained the information from day to day observation in the educational field; and that the largest share he received by "observing" President Harper at the University of Chicago.<sup>111</sup>

Harper was a virtual dictator. In fact, The Nation characterized his administration as the "dictatorship of the president." It was his elaborate system of rankings -- deans, head professors, professors, associate professors, assistant professors, etc. -- that drew some of Veblen's best barbs, and he appears to be the prototype of Veblen's "Captain of Erudition."<sup>112</sup>

Other incidents, such as the fact that Edward M. Bemis was refused reappointment on the grounds of his views on public utilities, against some big figure in Chicago politics, seem to be the basis for Veblen's comments on the type of man who succeeds in a university.<sup>113</sup>

It is now time to turn to Veblen's ideas, and since Veblen's beginning idea was that other schools of economic thought were in error, it is with his criticism of these schools that we begin.

<sup>111</sup>Veblen, The Higher Learning, pp. x-xii.

<sup>112</sup>Dorfman, op. cit., p. 90.

<sup>113</sup>Ibid., pp. 122-3.

### CHAPTER III

#### VEBLIN'S IDEAS

##### Criticisms of Schools of Economic Thought

According to Veblen, the writers of the German Historical School, as noted earlier, had gotten off on the right foot by disavowing the tenets of classical economics as not being appropriate for their institutional framework. As Schmoller stated, the "observation and description, definition and classification, are preparatory work only...." However, they had not gone any further. "When consistent ... [they] have contented themselves with an enumeration of data and a narrative account of industrial development, and have not presumed to offer a theory of anything or to elaborate their results into a consistent body of knowledge."<sup>114</sup>

This is followed by what is Veblen's most damning criticism -- the school is founded on a pre-Darwinian concept. "Any evolutionary science, on the other hand, is a close-knit body of theory. It is a theory of process, of an unfolding sequence."<sup>115</sup>

Marxism also comes under attack by Veblen. It too was pre-Darwinian since it was based on the Hegelian dialectic. Thus it was

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<sup>114</sup>Thorstein B. Veblen, The Place of Science in Modern Civilization and Other Essays. (New York: B. W. Huebsch, 1919), p. 58.

<sup>115</sup>Ibid., p. 58.

not evolutionary. The labor theory of value was incorrect because it gave no consideration to "the state of the industrial arts," to which no man, or group of men, in society could lay exclusive claim to. In addition, it was based on the "natural rights" philosophy, which, like the Benthamite psychology, had been adapted from the classical school.

[One] characteristic of the doctrine of class struggle requires mention.... It is of a utilitarian origin and of English pedigree, and it belongs to Marx by virtue of having borrowed its elements from the system of self-interest. It is in fact a piece of hedonism, and is related to Bentham rather than to Hegel. It proceeds on the grounds of the hedonistic calculus.... As regards the tenability of the doctrine,...it is to be added that it is quite out of harmony with the later results of psychological inquiry -- just as is true of the use made of the hedonistic calculus by the classical...economics.<sup>116</sup>

It was at the school of thought which Veblen termed "economic orthodoxy" that he hurled most of his severest criticisms. One such criticism had to do with the inapplicability of the classical tenets to modern machine processes.

So long as the machine processes were but slightly developed,... relatively isolated, and independent of one another industrially, and so long as they were carried on on a small scale for a relatively narrow market, so long the management of them was conditioned by circumstances...similar to those... /of/ the English domestic industry of the eighteenth century. It was under the conditions of this inchoate phase of the machine age that the earlier generation of economists worked out their theory of the business man's part in industry. It was then still true, in great measure, that the undertaker was the owner of the industrial equipment, and that he kept an immediate oversight of the mechanical processes as well as of the pecuniary transactions in which his enterprise was engaged; and it was also true...that an unsophisticated productive efficiency was the prime element of business success. A further feature of that pre-capitalistic business situation is that business...was

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<sup>116</sup> Ibid., p. 417.



customarily managed with a view to earning a livelihood rather than with a view to profits on investments.<sup>117</sup>

The rather extended foregoing quotation forms the basis of Veblen's criticism of orthodox economics. These economists had not seen the basic dichotomy which had arisen between the pecuniary and industrial interests, and Veblen's criticisms point out why he thinks they have not.

The economics that Veblen attacked was orthodox static theory, with its assumptions of maximizing behavior within a fixed set of pecuniary institutions, and with a minimum of interest in either empirical verification or in the study of how institutional determinants of economic behavior had evolved or might be changed through private or public action.

According to Veblen, economics had asked the wrong questions. They wished to know how prices are determined now, particularly the prices that effect the distribution of income. Veblen does not claim that he can answer these questions. His fundamental criticism is that the answers are irrelevant. Economists should be more concerned with how the institutions which make up today's culture got to the point they have reached and where they are headed.

The preconceptions of orthodox are those of the natural rights philosophy, and the natural order of nature. These led economists to the doctrine of harmony of interests and to a readiness to state their generalizations in terms of what ought to be. Their hedonistic psychology

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<sup>117</sup> Veblen, The Theory of Business Enterprises...., p. 17.



and their habituation to pecuniary ways of life led them to know that the "frictionless and beneficent competitive system" was the "right" one. This competitive system then becomes the "normal," and all divergences are judged according to it, as if by an "absolute truth."

The standpoint of the classical economists...may not inaptly be called the standpoint of ceremonial adequacy. The ultimate laws and principles which they formulated were laws of the normal or natural,...to which, in the nature of things, all things tend. In effect, this preconception imputes to things a tendency to work out what the instructed common sense of the time accepts as adequate or worthy end of conduct. This ideal of conduct is made to serve as a canon of truth, to the extent that the investigator contents himself with an appeal to its legitimization principles,...and for the "tendencies" that run beyond the situation....<sup>118</sup>

Under the impetus of the preconceptions of a hedonistic psychology, human action is pictured in terms of the causal focus of the environment, the human agent being, at best, taken as a mechanism of commutation through which impinging forces of the environment are passed on, without change, into economic conduct.

Since human nature is the "constant sequence" of hedonistic cause and effect, it can be eliminated from the picture. The result of this, according to Veblen, is that in all the received formulations of economic theory the human material with which the inquiry is concerned is conceived in hedonistic terms; that is to say, in terms of a passive and substantially inert and immutably given human nature.

The hedonistic conception of man is that of a lightning calculator of pleasure and pain, who oscillates like a homogeneous globule of desire of happiness, under the stimuli that shift him about the area, but leave him intact. He has neither antecedent nor consequent. He is an isolated, definitive human

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<sup>118</sup>Veblen, The Place of Science..., p. 65.

datum, in stable equilibrium, except for the buffets of the impinging forces that displace him in one direction or another. Self-imposed in elementary space, he spins symmetrically on his own spiritual axis until the parallelogram of forces bears down on him.... When the force of the impact is spent, he comes to rest, a self-contained globule of desire as before. Spiritually, the hedonistic man is not a prime mover. He is not the seat of a process of living....<sup>119</sup>

Not only Veblen's views about hedonistic man, but also his feelings about the other preconceptions can be gleaned from the foregoing. These preconceptions, according to him, could be traced from "primitive animism," through faith and metaphysics, overruling Providence, Order of Nature, Natural Rights, Natural Law, to the then prevailing economic doctrines. "By descent and by psychological content, this constraining normality is of a spiritual kind. It is for the scientific purpose an imputation of spiritual coherence to the facts dealt with."<sup>120</sup> Therefore, since the premises on which the system of thought is based are faulty, the conclusions arrived at are invalid.

Man is not "a lightning calculator of pleasures and pains," rather, man is essentially active. He is forever doing something on his own initiative. Economists should study the processes of human behavior at first hand. The important psychological categories are propensities and habits. Under the later psychology, "it is the characteristic of man to do something, not simply to suffer pains and pleasures through the impact of suitable forces. He is...a coherent structure of propensities and habits which seeks realization and expression in an unfolding activity."<sup>121</sup>

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<sup>119</sup>Ibid., p. 73.

<sup>120</sup>Ibid., p. 61.

<sup>121</sup>Ibid., p. 74.

Also, because of their hedonistic bias, orthodox economists have stood Adam Smith's conception of value on its head, so to speak. They no longer look at the serviceability of a product, but only at its vendability.

With Adam Smith, value is discussed from the point of view of production. With the utilitarians, production is discussed from the point of view of value. The former makes value an outgrowth of production: The latter makes production the outcome of a valuation process.... The theory of value which hedonism gives is, therefore, a theory of cost in terms of discomfort. By virtue of the hedonistic equilibrium reached through the valuation process, the sacrifice or expenditure of sensuous reality involved in acquisition is the equivalent of the sensuous gain secured.<sup>122</sup>

The criterion of value used by orthodox economists, namely price, is simply the expression of the habits of thought of a capitalistic, pecuniary culture, and does not have the universal applicability assigned to it by orthodox economists. The following comment shows his feeling that value is relative to the institutional framework in which a culture subsists; according to orthodox theory, "a gang of Aleutian Islanders slushing about in the wrack and surf with rakes and magical incantations for the capture of shellfish are held in point of economic reality to be engaged on a feat of hedonistic equilibrium in rent, wages, and interest."<sup>123</sup>

Veblen viewed the price system, instead, as just another institution which had arisen with a pecuniary culture, and which, like any other institution, was subject to change. The thing to study was the conflict between the effect of the price system on people's minds and the effects of the machine process.

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<sup>122</sup>Ibid., p. 135.

<sup>123</sup>Ibid., p. 193.

However, because of their "hedonistic preconceptions," and their "habitation to a pecuniary culture," the orthodox economists had concentrated solely on the price system in their valuation process.

As their hedonistic preconceptions would require, then, it is to the pecuniary side of life that the orthodox economists give their most serious attention, and it is the pecuniary bearing of any given phenomenon or of any institution that commonly shapes the issue of the argument. The causal sequence about which the discussion centers is a process of pecuniary valuation. It runs on distribution, ownership, acquisition, gain, investment....<sup>124</sup>

Because it is based on hedonistic preconceptions, the theory of distribution is invalid. It gives no answer to the question of the productivity of the "state of the industrial arts," which is "the indispensable foundation of all productive industry.... However," except for certain minute fragments covered by patent rights or trade secrets, this joint stock is no man's individual property." Since the productivity of any individual is determined by this "joint stock," and since nothing is offered to explain the productivity of it, the productivity of the individual cannot be postulated.<sup>125</sup>

Rather than productivity, Veblen would attribute the differential incomes that the occupations receive as a payment due to their strategic position, and not to a payment as a factor of production as the orthodox economists would have it. His comments on wage payments are indicative of his feelings on the subject:

The two parties to the...quarrel have learned to know what to count on. And the beginning between them therefore settles

<sup>124</sup>Ibid., p. 137.

<sup>125</sup>Veblen, The Engineers and the Price System, p. 28.

down...into a competitive use of unemployment, privation, restriction of work and output, strikes, shutdowns, and lockouts, espionage, pickets, and similar manoeuvres /sic/ of material derangement with a large recourse to menacing language and threats of mutual sabotage.<sup>126</sup>

The essence of Veblen's criticism of orthodox economics, then, would seem to be that throughout the history of orthodox economics, each generation of economists had taken for granted the very things that most needed proving -- the preconceptions they took over from the prevalent world outlook and the accepted institutions. The economists of Veblen's day assumed the existing distribution of income and power, and spent their energies on "taxonomy" -- on classifying economic concepts and drawing distinctions between them, and on showing how the total income is apportioned among the factors of production according to what each deserves.

Veblen scorned the moral implications of this doctrine of equivalence -- that all is well in the best of possible systems of income distribution, and that the mounting wealth and power of the rich and the grinding poverty of the poor are part of the fitness of things.<sup>127</sup>

Now, then, the question which arises is: If the law of supply and demand, the idea of equilibrium price, marginal utility, etc., are to be cast aside, what is to be put in its place? Veblen's phraseology is much more picturesque:

If we are getting restless under the taxonomy of a monocotyledonous wage doctrine and cryptogamic theory of interest, with loculidinal, tomentous and moniliform verients, what is the cytoplasm, centrosome, or karyokinetic process to which we may

<sup>126</sup> Veblen, Absentee Ownership and Business Enterprise..., p. 406.

<sup>127</sup> Lerner, op. cit., p. 20.



turn, and in which we may find surcease from the metaphysics of normality and controlling principles? What are we going to do about it?<sup>128</sup>

In the first place, as stated previously, economics should get a new psychology to replace that of hedonism. The later psychology had replaced and outmoded the concept of man as a "lightning calculator of pleasures and pains." Veblen argues that man is a social animal, possessed of desires, wants, motives, and sentiments shaped in great part by his institutions. The psychology advocated by Veblen is that put forth by James McDougall and William James in which the instincts which guide the individual are part of the basis of the behavior of society. This human behavior is habituated to the institutions of the society. Since human nature is the essence of the society, one must discover what human nature is like, and since the "later psychology" is better than that of hedonism for this purpose, the later psychology should replace it.

With this activist psychology, the study of economics cannot be done in isolation, since the determining forces of economic activity are affected by the change in institutions which go to guide human behavior, and these institutions are of both an economic and non-economic nature.

Since each of these passably isolable interests is a propensity of the organic agent man, with his complex habits of thought, the expression of each is affected by habits of life formed under the guidance of all the rest. There is, therefore, no neatly isolable range of cultural phenomena that can rigorously be set aside under the head of economic institutions....<sup>129</sup>

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<sup>128</sup>Veblen, The Place of Science..., p. 70.      <sup>129</sup>Ibid., p. 77.



Second, economists should become an evolutionary science. Since human behavior is the essence of the study of economics, and since this behavior is guided by the changing institutional culture around the man, the task of economics is to study the origin and development of those institutions, without bringing in any "controlling principles" from the outside.

In so far as modern science inquires into the phenomena of life, whether inanimate, brute, or human, it is occupied about questions of genesis and cumulative changes, and it converges upon a theoretical formulation in the shape of a life-history drawn in causal terms. In so far as it is a science in the current sense of the term, any science, such as economics, which has to do with human conduct, becomes a genetic inquiry into the human scheme of life; and where, as in economics, the subject of inquiry is the conduct of man in his dealings with the material means of life, the science is necessarily an inquiry into the life-history of material civilization.... Like all human culture this material civilization is a scheme of institutions -- institutional fabric and institutional growth.<sup>130</sup>

#### Cumulative Causation

In his own theory of economic activity, Veblen makes use of the concept he advocated in order to make economics an "evolutionary science" -- the concept of cumulative causation.

Veblen saw the whole of material civilization as a scheme of institutions. They were the outgrowth of habit. These institutions prevail as a result of deeply-ingrained habits of thought and action, but even though they owe their origins to habitual action, this does not mean that they are permanent. Since they reflect social habits, change from either external or internal "stimuli" is but a normal

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<sup>130</sup>Ibid., pp. 240-1.

unfolding of social growth. The institutions are habits of thought or action which change as the habits of thought or action change.

It is only when the evolutionary nature of society is recognized, with its group habits and institutions, that fuller understanding of the economic system can be developed.

Veblen draws heavily on the past, as will be shown, to outline behavior of the present. All institutional development by man represents processes of cumulative change, in which the only stable elements are certain human traits known as "instincts." Veblen's own description of the process is as follows:

All economic change is a change in the economic community -- a change in the community's methods of turning material things to account. This change is always in the last resort a change in habits of thought;...even of changes in the mechanical processes .... A given contrivance for affecting certain material ends becomes a circumstance which affects the further growth of habits of thought...and so becomes a point of departure for further development.... Economic action is teleological, in the sense that men always and everywhere seek to do something. What... they seek is not to be answered except by a scrutiny of their activity....<sup>131</sup>

The process of cumulative causation is a blind, non-teleological process. It is man, who -- in an attempt to find ways to adapt to the institutional environment -- changes. As his habits of thought change, the institutions -- which are habits of thought -- also change.

Changes in the material facts breed further change only through the human factor. It is in the human material that the continuity of development is to be looked for; it is here, therefore, that the motor forces of the process of economic development must be studied if they are to change at all.<sup>132</sup>

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<sup>131</sup> Ibid., p. 75.

<sup>132</sup> Ibid., pp. 71-2.

The prime mover in the "changes in the material facts" in this evolution is the force of material causation represented by technology, in its broadest sense, entailing not only mechanical processes, but also resources, terrain, etc. These mechanical inventions and changes in the uses of resources create new situations that stimulate new variations in the habitual responses of human nature.

### Interpretation of History

Veblen begins his search into the basis of today's institutions with an anthropological study of history in a scheme of social evolution. He saw history as divided into three main classes: (1) The Peaceful Savagery phase; (2) the Barbaric phase -- which may be subdivided into the Lower Barbaric and Higher Barbaric; (3) the Industrial phase -- which he broke down into the "Quasi-peaceful" Industrial and the "Modern" Industrial.

The phase of Peaceful Savagery Veblen places in the Paleolithic period, continuing into the Neolithic.<sup>133</sup> In this period society is composed of small, peaceful, industrious communities, with no graded authorities, a matriarchal family scheme, and protected by female goddesses. In this phase, the prime activities are those of industriousness, and the motivating force is that of self-preservation. Since this society is constantly faced with a struggle for sheer existence, only those inherent traits which further most the chance of survival are predominant. The instincts most useful and natural in this

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<sup>133</sup>Veblen, The Instinct of Workmanship..., p. 149.

phase are those of Workmanship, Idle Curiosity, and the Parental Bent. These three instincts work in close harmony with each other at all times for the survival and protection of the society.

The body of knowledge in this phase is pre-eminently theological, organized into a body of myths and legends by the instinct of idle curiosity, which is that trait of human nature which causes man to seek after knowledge "for its own sake."

This knowledge is made available to man in order to better enable him to do effective work. The instinct of workmanship, which is pure and untainted in this stage, and which is the "inherent human propensity for effective work," will put this knowledge to work as efficiently as possible. "The native proclivity...spoken of as the instinct of workmanship will unavoidably incline man to turn to account in a system of ways and means, whatever knowledge is so made available."<sup>134</sup>

The place of the parental bent in this society is to work in close harmony with the instinct of workmanship for the provision of society. The chief interest lies in the attainment of the common good of the society as a whole.

Chief among these instinctive dispositions that conduce directly to the material well-being of the race...is the instinctive disposition here spoken of as the sense of workmanship. The only other instinctive factor of human nature that could with any likelihood dispute this primacy would be the parental bent. Indeed, the two have much in common. They spend themselves on much the same concrete objective ends, and the mutual furtherance of each by the other is indeed so broad and intimate as often to leave it a matter of extreme difficulty to draw a line between them.<sup>135</sup>

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<sup>134</sup>Veblen, The Higher Learning in America, p. 4.

<sup>135</sup>Veblen, The Instinct of Workmanship..., p. 25.

One of the other distinctions between this and later societies is that there is no differentiation of different types of work and hence no "invidious comparisons." The communities are commonly poor, and communal, rather than private, property is the usual condition of ownership.<sup>136</sup>

In this society, as in all subsequent societies, the instinctive action is "teleological;" that is, it is seeking some end. It is by seeking these ends that the instincts control human conduct. In this activity, the instinct of workmanship may be said to be "auxiliary," to all other instincts; that is, it is concerned with "ways and means" of life, rather than given teleological ends.<sup>137</sup> Now, since human actions are driven by their instincts, and since the instincts in this society are peaceful, then the ends sought will be peaceful ends.

The motive force which moves society from one level of civilization to another is that of technological progress. If men are faced with the prospect of death, self-preservation is the only important thing to be considered. As long as this is so, each man will have all he can do just to stay alive, and so long as everyone is just barely surviving, there would be nothing to gain by warring with anyone else, since he, too, would be in the same condition. The transition from peaceful to predatory cultures, therefore, depends upon "the growth of technological knowledge and the use of tools.... The predatory phase of culture is therefore conceived to come on gradually, through a

<sup>136</sup>Veblen, The Theory of the Leisure Class..., pp. 23-4.

<sup>137</sup>Veblen, The Instinct of Workmanship..., p. 31.



cumulative growth of predatory aptitudes, habits, and traditions..."<sup>138</sup>

The transition from the Savage to Lower Barbic stage, then, comes about because the expansion of the technological and material base of society has made the struggle for life less grim. One of the improvements brought about by the more advanced technology was the improvement of arms.

As the use of these arms came more and more to the front, the culture changed to a male-dominated society. It is marked by a switch from matriarchal to patriarchal religions whose fierce male deities symbolize the new order of status and dominance.

The three peaceful instincts are now subordinated to those of a predaceous nature. Arms are now honorific, and the use of them, even in hunting, becomes an honorific employment. At the same time, employment in positions dealing with the problem of "getting a living" correspondingly become more odious, and beneath the dignity of man: "Labor becomes irksome."<sup>139</sup>

Slaves become examples of prowess, and by adding to the labor force of woman, allow more freedom to the men for pursuits of plunder and exploit. Priesthood joins the hunter and fighter as prestigious occupation, as do the ruler and medicine-man. Thus, in the Lower Barbarian stage we see the rise of the predatory institutions of property, war, religion, and later, the leisure class.

<sup>138</sup> Veblen, The Theory of the Leisure Class..., p. 32.

<sup>139</sup> Ibid., p. 31.



The predatory institution of private property ownership serves as the basis of all "invidious comparisons" which lead to status and "graded dignities." The institution begins with the ownership of women through seizure of female captives in raids on other communities. The original purpose for seizing the women seems to have been their usefulness as trophies. The captured women were added to the existing female labor force, and as time passed, and the predaceous instincts were strengthened, the slavery was extended to male captives. "The outcome, under the circumstances of a predatory life, therefore, has been on the one hand a form of marriage resting on coercion, and on the other hand the custom of ownership." From the ownership of women to the ownership of the products of their industry is a logical next step, and so the "ownership of things" as well as of persons arises.<sup>140</sup>

The booty referred to above, in the form of slaves, is originally valued because it shows the "prepotence" of one group over another, but as it increases, it becomes the basis of an "invidious comparison" between the possessor and the remainder of the community. Gradually, as the extreme predaceous activity is replaced by industrial activity in the everyday life and in man's habits of thought, accumulated property replaces trophies as the conventional example of success. Its possession in some amount becomes necessary to have any reputable standing in the community. "It becomes indispensable to accumulate, to acquire property, in order to retain one's good name."

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<sup>140</sup> Ibid., p. 34.

The possession of wealth, which was at the outset valued simply as evidence of efficiency, becomes itself a "meritorious" act. "Wealth is now itself intrinsically honorable and confers honor on its possessor. By a further refinement, wealth acquired passively by transmission from ancestors...presently becomes more honorific than wealth acquired by the possessor's own effort...."<sup>141</sup>

With the advent of private property ownership, the leisure class made its appearance, based on an "invidious comparison" between individuals.

There are two conditions necessary for a leisure class to come into existence: (1) The community must be habituated to the infliction of injury by force and strategy; that is, "the men...must be habituated to the infliction of injury by force and strategem." (2) It must be sufficiently easy to obtain "subsistence," so that a "considerable" portion of the community may be exempted from "a steady application to a routine of labor."

The leisure class is the outgrowth of a distinction between worthy and unworthy employments, which the predatory institution of private property ownership fosters. "Under this ancient distinction the worthy employments which may be classified as exploit; unworthy are those necessary everyday employments into which no appreciable element of exploit enters."<sup>142</sup>

The leisure class and private property come from the same set of forces (economic forces): The early distinction between men's and

<sup>141</sup>Ibid., p. 37.

<sup>142</sup>Ibid., pp. 24-5.

women's work found in the early stages of barbarism. In the same vein, the first form of ownership "is an ownership of women by the able-bodied men in the community."<sup>143</sup>

As examples of development arrested in the Lower Barbarian phase and as proof that the leisure class did begin with the differentiation between men and women in types of employment, Veblen uses "any one of the North American hunting tribes." In these tribes there is no clearly defined leisure class, as such, since the activities of the men also add to the material sustenance of the community.

However, these tribes do have a marked distinction between the work of men and women based on "invidious comparisons."<sup>144</sup>

It is at this juncture that Veblen makes a point which is quite central to his ideas, and that is the idea that today's industrial employments are the result of what was then termed "women's work."

In the later development [man's occupations] survive only in employments that are not classed as industrial -- war, politics, sports, learning, and the priestly office.... Virtually the whole range of industrial employment is an outgrowth of what is classified as woman's work in the primitive barbarian community.<sup>145</sup>

This statement is the foundation for the dichotomy which is basic to all of his writings. It is the conflict between employments based on the instinct of workmanship and those based on predatory exploits. A few examples are: Industrial occupations vs. pecuniary occupations; engineers vs. Captains of Industry; machine technology vs. business enterprise; scholars and scientists vs. Captains of Erudition. More

<sup>143</sup>Ibid., p. 33.

<sup>144</sup>Ibid., pp. 22-3.

<sup>145</sup>Ibid., p. 23.

will be said about this conflict as the presentation of Veblen's concept of historical evolution proceeds.

To continue with the development of the leisure class, Veblen notes that it is at its highest development at the "higher stage of barbarian culture," which he notes to be the "feudal" Europe.

In this culture, class distinctions are very rigorously enforced. The most pronounced feature of the class distinctions is that maintained "between the employments proper to the several classes."

The upper classes are by custom exempt or excluded from industrial occupations, and are reserved for certain employments to which a degree of honor attaches. Chief among the honorable employments in any feudal community is warfare; and priestly service is commonly second to warfare.... The occupations of this class are... diversified, but have the common characteristic of being non-industrial. These non-industrial upper-class occupations may be roughly comprised under government, warfare, religious observances, and sports.<sup>146</sup>

Although the predatory instincts reign supreme throughout this period because of the ascendancy gained by the predatory institution of private property ownership, with its "invidious comparisons," this does not mean that the peaceful instincts have died out. They are, it must be remembered, "inherent" in human nature, and thus cannot pass out of existence.

However, these instincts are no longer the "pure, untainted" instincts they were in the early phase of culture -- the "Peaceful Savage" phase. The predatory culture has contaminated them.

In the early phase, prestige was given to men only for particular pieces of work, and to the man who made them only as a workman. The

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<sup>146</sup> Ibid., p. 21.

"pure" instinct of workmanship, which is the "propensity for purposeful activity and repugnance for futility," caused man to emulate the workmanship of other men.

With the advent of the barbarian form of culture, however, the conditions of emulations change. The activity of the society becomes more and more that of exploit. Tangible evidence of prowess -- trophies -- find a place in men's "habits of thought." Aggression becomes the accredited form of action, and booty serves as evidence of successful aggression. Therefore, since the instinct of workmanship causes man to emulate that which society deems is honorable, the instinct causes man to emulate the exploit which is the most "honorific." Veblen's statement of the point is as follows:

That propensity for purposeful activity and that repugnance to all futility of effort which belong to man by virtue of his character as an agent do not desert him when he emerges from the naive communal culture where the dominant note of life is the unanalyzed and undifferentiated solidarity of the individual with the group. When he enters upon the predatory stage...this propensity goes with him still, as the pervasive trait that shapes his scheme of life.... The propensity changes only in the form of its expression.... Under the regime of industrial ownership the most available means of visibly achieving a purpose is that offered by the acquisition and accumulation of goods;...the propensity for achievement -- the instinct of workmanship -- tends more and more to shape itself into a straining to excel others in pecuniary achievement. The... currently accepted legitimate end of effort becomes the achievement of a favorable comparison with other men, and therefore the repugnance to futility to a good extent coalesces with the incentive of emulation.... Purposeful effort comes to mean, primarily, effort directed to or resulting in a more creditable showing of accumulated wealth.<sup>147</sup>

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<sup>147</sup> Ibid., pp. 39-40.



Just as the predatory culture has turned the instinct of workmanship to the pursuit of pecuniary emulation, so it contaminates the instincts of idle curiosity and the parental bent. The parental bent sees the best interests of men to lie in the direction of ever greater accumulations, while the instinct of idle curiosity is turned from the quest of "knowledge for its own sake" to that of pragmatism -- "the study of knowledge for some 'technological' purpose, or with some pre-ordained purpose in mind."<sup>148</sup>

The advent of Phase III -- Industrial -- the "quasi-peaceful" phase -- is accompanied by the organization of private property -- slaves -- and trade in the same. This trade develops into a "self-sufficing industrial community." The idea begun in the higher barbarian culture -- that of possessions as evidence of the "prepotence" of the possessor over the other members of the community, rather than as evidence of a successful foray -- reaches its highest stage of development.<sup>149</sup>

This phase of the Industrial stage is characterized by an established chattel slavery, and a servile class of herdsmen and shepherds; industry has advanced so far that the community is no longer dependent for its livelihood on the chase or on "any other form of activity that fairly be classed as exploit. From this point on, the characteristic feature of leisure-class life is a conspicuous exemption from all useful employment."<sup>150</sup> In this stage the occupations of the leisure

<sup>148</sup>Veblen, The Place of Science..., p. 11.

<sup>149</sup>Veblen, The Theory of the Leisure Class..., p. 28.

<sup>150</sup>Ibid., pp. 43-4.



class are the same as earlier; government, war, sports, and devout observances. These are predatory, not productive employments, in the sense that they are not engaged in increasing the wealth by productive effort.

Probably the most conspicuous characteristic of this period is the predominance of the personal services rendered to the leisure class by the servants -- both domestic and wives -- who perform vicarious leisure for the male head of the household.<sup>151</sup>

The predatory traits of prowess and strength have by this time taken the form of leisure, since success and superior force are now shown in accumulated properties of slaves and the products of their efforts. Property now becomes the most easily recognized evidence of the degree of success. It therefore becomes the basis of esteem.

In order to stand well in the eyes of the community, it is necessary to come up to a certain...conventional standard of wealth, just as in the earlier predatory stage it is necessary for the barbarian man to come up to the tribe's standard of physical endurance, cunning and skill at arms. A certain standard of wealth in one case, and of prowess, in the other, is a necessary condition of reputability, and anything in excess of this normal amount is meritorious.<sup>152</sup>

A life of leisure is the best means of displaying this wealth (as will be shown in the next phase, vicarious leisure is even better) as evidence of pecuniary strength. The life of leisure is best shown by the ownership of great numbers of slaves who provide the "gentlemen of leisure" with "manifest ease and comfort," in the form of personal services and the "immediate products of personal service." Any manner

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<sup>151</sup>Ibid., pp. 56-60.

<sup>152</sup>Ibid., p. 38.

of effort is part of the leisure so long as no "direct biological utility" attaches to the effort. Here, the mastering of dead languages and of manners comes in. (Veblen goes into quite a little detail in showing the derivation of manners and their usefulness as distinguishing factors of the leisure class.)<sup>153</sup>

The following quotation shows Veblen's idea of how far the "prescription" against productive labor can go and what it may lead to. Although the figmentary illustration is overdrawn, it serves to heighten his point.

Prescription presently seizes upon the conventional evidence of wealth and fixes it in men's habits of thought as something that is in itself substantially meritorious and ennobling; while productive labor at the same time and by a like process becomes in a double sense intrinsically unworthy. Prescription ends by making labor...morally impossible to the noble, free-born man, and incompatible with a worthy life.... In persons of delicate sensibility, who have long been habituated to gentle manners, the sense of shamefulness of manual labor may become so strong that, at a critical juncture, it will even set aside the instinct of self-preservation.... A certain king of France...is said to have lost his life through an excess of moral stamina in observance of good form. In the absence of the functionary whose office it was to shift his master's seat, the king sat uncomplaining before the fire and suffered his royal person to be toasted beyond recovery. But in so doing he saved his Most Christian Majesty from menial contamination.<sup>154</sup>

The second phase of Stage III -- the "peaceful" or "modern" phase of the industrial stage -- is accompanied by a movement from slave labor and status to that of wage-labor and cash payment.<sup>155</sup>

In this stage, the instinct of workmanship makes something of a resurgence, due to the fact that labor is not quite as odious, since

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<sup>153</sup>Ibid., pp. 46-50.

<sup>154</sup>Ibid., pp. 44-6.

<sup>155</sup>Ibid., pp. 76-7.

it is no longer forced labor. It then begins aggressively to shape men's views of what is meritorious, and asserts itself at least as an auxiliary canon of self-complacency.<sup>156</sup>

However, this has little effect on the activities of the leisure class, because it is a result of increasing machine technology, and the leisure class by this time is quite far removed from this aspect.

The main effect of the strengthening of the instinct of workmanship, on the leisure class, is to cause them to engage in a game of make-believe, because the predatory aspects of the previous stage are still present; productive labor is abhorrent to this class. "As a consequence, a change has been wrought in the conspicuous leisure practiced by the leisure class -- not so much in substance as in form; a resort to make-believe in the form of organizations...social duties,...charitable works,..." and so forth.<sup>157</sup>

In substance, however, the activities of the leisure class are still those of barbaric times. When industry took on organized and specialized form outside the home, the element of leisure in its typical form of useless activities began to display itself in changes in the household life. The wife was withdrawn from productive functions. It would obviously be a decided increase in status if the man could afford to use his wife as a "decoration." It is not enough that she be relieved from productive toil; others must be able to tell that she cannot work. One of the best examples of this is the corset. "The corset is, in economic theory, substantially a mutilation, undergone

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<sup>156</sup>Ibid., p. 76.

<sup>157</sup>Ibid., pp. 76-7.

for the purpose of rendering her permanently and obviously unfit for work."<sup>158</sup> This is basically true for all business class women's apparel.

The same is true for the servants. The activities of an employed servant group become largely ceremonial in this stage. To be able to afford to support a useless servant class is another testament to the pecuniary prowess of the male head of the household. They attest to it both by their ceremonial function and by their gaudy dress, which is proof that they, too, are unfit for productive effort.<sup>159</sup>

The vicarious leisure performed by the wives and servants of the leisure class is emulated by the other classes. In middle-class families, where the head of the household must work, and cannot afford to be in the leisure class, his wife performs the functions of conspicuous vicarious leisure for him.

The derivative fact -- the vicarious leisure and consumption performed by the wife...-- remains in vogue as a conventionality which the demands of respectability will not suffer to be slighted.<sup>160</sup>

The motive force behind the actions of the middle-class families is that of "pecuniary emulation" of the upper classes.

The canons which dictate the conduct of the leisure class are no different than those of the barbarian period. The Captain of Industry or Finance today is just another name for the "War Lord" of barbarism, or the Prince or priesthood of early Christendom. Just as the "underlying population" of earlier times emulated the kings and priests, so

<sup>158</sup>Ibid., p. 121.

<sup>159</sup>Ibid., pp. 55-6.

<sup>160</sup>Ibid., p. 68.

today they emulate the "Prince of Business," who is motivated by the same predatory instincts. Conspicuous waste and conspicuous leisure are reputable because they are evidence of pecuniary strength; pecuniary strength is reputable or honorific, because, in the last analysis it argues success and superior force. Thus the "conventional" scheme of decent living calls for considerable exercise of the earlier barbarian traits.<sup>161</sup>

A distinction is still habitually made between industrial and non-industrial occupations; and this modern distinction is a transmuted form of barbarian distinction between drudgery and exploit.<sup>162</sup>

The modern system of business enterprise, then, is seen to have the same predatory traits as were displayed by the people of the barbarian culture. This is necessarily so because both are actuated by the same thing; the system of "invidious comparison" caused by the predatory institution of private property ownership. As long as this institution exists, the same will be true.<sup>163</sup>

As seen previously, the most recurrent idea appearing in Veblen's writings is that of a constant conflict between the instincts clustered around the instinct of workmanship and those of a predatory nature. One cluster is creative and the other obstructionist. One group is dynamic the other inhibitory. One group tends toward creativity; the other is past-binding. Technology springs from the first grouping. "Imbecile institutions" come from the other.

<sup>161</sup>Ibid., pp. 114-16.

<sup>162</sup>Ibid., p. 26.

<sup>163</sup>Veblen, The Instinct of Workmanship..., pp. 396-7.



In the modern industrial period, the conflict is one between machine technology and business enterprise. "The physical basis of modern business traffic is the machine process.... The spiritual ground of business enterprise...is given by the institution of ownership."<sup>164</sup>

Business principles are principles of property. Thus they are pecuniary principles. Just as the machine process conditions the "growth and scope of industry," and as its discipline "inculcates habits of thought" suitable to industrial technology, so ownership conditions the "growth and aims of business."

Technology enforces a standardization of "conduct and knowledge" in terms of "quantitative precision." Its point of view is that of "causal sequence." Such a habit of thought leads to industrial efficiency.

Other "norms of standardization," alien to this one have prevailed in the earlier phases of Western culture. "It is among these transmitted institutional habits of thought that the ownership of property belongs.... The binding relation of property to its owner is of a conventional, putative character."<sup>165</sup>

The machine process is an intricate system, which knows only productive efficiency. The capitalist is not interested in the smooth functioning of the entire system, but only in controlling a certain segment of the system in order to gain products' profits. The great gains are made by shifts of ownership in "vendible capital," or

<sup>164</sup>Veblen, The Theory of Business Enterprise, pp. 37-39.

<sup>165</sup>Ibid., pp. 37-9.

securities, not from productive efficiency. "The vital point of production with him is the vendability of the output, its convertability into money values, not its serviceability for the needs of mankind."<sup>166</sup>

In attempting to control a certain segment of the market, the businessmen engage in "jockeying" for more favorable position. The business of the opponents engaged in the conflict over control is normally aimed at blocking the industrial process at some point in order to inflict damage on the other party. The outcome is normally decided by which party can inflict or endure the most pecuniary damage. The pecuniary battles are normally long, drawn-out affairs, sometimes lasting for years. In the process, there is commonly a set-back to the industrial plants concerned, "and a derangement, more or less extensive, of the industrial system at large," since needed alterations, etc., are not normally carried out when they should be for industrial purposes during these periods.<sup>167</sup>

However, even though these two "habits of thought" are opposed, this does not mean that the one will conquer the other in the foreseeable future. What will happen is the same that has been happening for centuries. As ways of working change, they will create new habits of thinking, which will create new institutions, which will form new cultural settings for cumulative changes in ways of working, ceaselessly. And even if one of the opposing forces should dominate for some time in the future, it will not necessarily be the machine technology, for:

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<sup>166</sup>Ibid., p. 30.

<sup>167</sup>Ibid., pp. 21-5.

History records more frequent and more spectacular instances of the triumph of imbecile institutions over life and culture than of peoples who have by force of instinctive insight saved themselves alive out of a desperately precarious institutional framework, such, for instance, as now faces the peoples of Christendom.<sup>168</sup>

#### Ideas of the Business Cycle

Vehlen's ideas on the business cycle grow directly out of his concept of the system of business enterprise and the pecuniary practices of businessmen.

Crises, depressions, hard times, dull times, brisk times, periods of speculative advance, "eras of prosperity," are all primarily phenomena of business; they are, in their origin and primary incidence, phenomena of price disturbance, either of decline or advance. It is only secondarily, through the mediation of business traffic, that these matters involve the industrial advance, or the livelihood of the community. They affect industry because industry is managed on a business footing, in terms of price and for the sake of profit.<sup>169</sup>

The normal crises, depressions, and periods of prosperity in the business world are not the result of accident. They are inherent in the system of business enterprise. The salient points for consideration are: (1) Industry is carried on by means of investment, which is made with a view to pecuniary gain. (2) The industry to which the businessmen in this way resort as the "ways and means" of gains is of the nature of a mechanical process, or some employment that is closely bound up with the mechanical process. This implication of each industry in a comprehensive system is of such a nature as to place each industry

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<sup>168</sup> Vehlen, The Instinct of Workmanship..., p. 25.

<sup>169</sup> Vehlen, The Theory of Business Enterprise..., pp. 88-9.

in a comprehensive system on terms of dependence upon one or more other branches of industry, and these relations of dependence form an endless sequence. The method of conducting these relations between one concern and another is that of bargaining, contracts of purchase and sale. It is a pecuniary relation, in the last resort a price relation, and the balance of this system of "interstitial relations" is a price relation. (3) These "interstitial pecuniary relations" involve credit relations of greater or less duration. (4) The conduct of industry by competing business concerns involves an extensive use of "loan credit."<sup>170</sup>

The period of prosperity begins with some favorable disturbance in the course of business. It is an era of rising prices, traceable to some certain sector of the economy. The rise in prices soon is transmitted through the system into general price increases. Businesses launch new investments, current demand increases, and anticipation of further advances in demand stimulates business and prices throughout the economy.

As prices increase, profits increase, in the industries nearest the seat of disturbance, since production costs lag. Production costs lag because of two items: (1) Costs of supplies drawn from more "remote" industries rise more slowly; and (2) wages lag.

Higher current profits and optimistic expectations of still larger profits lead to still higher capitalization of business units. The typical corporation capitalizes not only the value of its physical plant, but also the value which the presumed future earning power of its

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<sup>170</sup> Ibid., pp. 89-93.

intangible assets seems to warrant; by this extensive borrowing, it commits itself to a futura level of earning power which will enable it to pay its intarest. Any succeeding prosperity will induce further capitalization, so that, in effect, every corporation commits itself to a continuously expanding economy, which is unreasonable.

As market capitalization increases, a larger loan collateral base is thereby created upon which further extensions of credit are made. These loans in turn tend to promote further price increases and the process runs on as long as the selling price of the output maintains a differential advantage over expenses of production.

Ultimataly, however, the total "expensas of production" overtake or nearly overtake the prospective selling price of the output. As profits margins decrease, the inflated capitalization of the praceding era seems excessive, not only in current terms, but in view of expected further decreased profits.

The loan collateral melts away to the point where confidence turns to nervousness and the action of some important creditor to liquidate part of his outstanding contracts and loans will tend to trigger a widespread liquidation in all sectors of the aconomy.

As the liquidation of claims ensues, forced sales, bankruptcies, and subaequent reorganizations become the normal course of affairs due to the highly complex "interstitial pecuniary relations" existing between the several concerns or branches that make up the comprehensive industrial system at large.<sup>171</sup>

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<sup>171</sup>Ibid., pp. 95-100.



The greatest effect of a crisis is to cause a change in ownership. The "liquidations and shrinkage of values" is of a pecuniary nature, and very seldom involves any change in the actual physical productivity capacity, of the community. "It leaves the business man poorer, in terms of money values; but the property they held between them may not be smaller in point of physical magnitude...."

Although the crisis involves a "curtailment of industry," the effect on "industry proper" is not necessarily equal to that on business.

It leaves the community poorer in point of market values, but not necessarily in terms of the material means of life.

The shrinkage is chiefly a pecuniary, not a material, shrinkage. Once the ownership has changed hands, and the capital structures written down to ensure a reasonable rate of return on its new capitalization at current prices, another disturbance will be set off somewhere in the economy to start the process again.<sup>172</sup>

Depression, not prosperity, had been the normal state of affairs the past twenty years because of two things: (1) A relatively rapid rate of increasing efficiency; (2) the closer interdependence of the several lines of industrial activity, coupled with a system of pecuniary business enterprise. "The last named factor counts for more in proportion as the interdependence grows closer and more comprehensive." Because of this growing interdependence, any interference on the part of the businessman has greater and greater effects, and works faster through the system, so crises will appear with greater speed and get worse.<sup>173</sup>

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<sup>172</sup>Ibid., pp. 93-4.

<sup>173</sup>Ibid., pp. 126-7.

# Ideas on Growth

Although Veblen's entire writings could probably be construed as being his "ideas on growth," the best presentation of the factors entering into it in terms of a systematic presentation is that found in Chapter III, on "The State of the Industrial Arts," and Chapter IV, for the first few pages, on "Free Income," in The Vested Interests and the Common Man.<sup>174</sup>

Veblen's idea was an attempt to determine what the elements are which lead to growth, and, likewise, the determination and removal of the obstructions to growth. Thus the idea may be viewed as an extension of his views on the dichotomy between the industrial arts and business enterprise. The state of the industrial arts -- or the common fund of technology -- is seen as the primary mover to any growth and the system of conduct of business enterprise is seen as the greatest hindrance.<sup>175</sup>

Veblen was interested in what Allen Gruchy has termed both the "quantitative" and "qualitative"<sup>176</sup> aspects of growth, so was not interested in the concept of growth as just a sustained increase in total output.

His concept of growth is that of "long-run" growth, in which not only does output increase, but also the nature of the economic system itself changes in the long-run -- technology undergoes a qualitative

<sup>174</sup>Thorstein B. Veblen, The Vested Interests and the Common Man, (New York: B. W. Huebsch, 1923), pp. 35-54.

<sup>175</sup>Ibid., p. 39.

<sup>176</sup>Dowd, op. cit., p. 157.

change. His concept is one of economic growth and development, or better yet, a study of the process of economic growth and development, where in the technology is not taken as a "given," but is rather studied to determine what the growth-causing tendencies are.<sup>177</sup> It is an analysis of the changing institutional framework which the economic system has for its setting, which not only determines the total output, but also affects the "structure" and "functioning" of the system. "The accumulation of capital not only leads to enlarged output; it also changes the size of business firms, the functioning of the market system," etc.<sup>178</sup>

The crucial factor of the growth process is what Veblen terms the "net industrial product."<sup>179</sup> He derives the concept thusly: The actual output of industry is the total supply of finished goods and services. In turning out this total output, certain costs are incurred. These actual costs include the subsistence of the workers, and the replacement of industrial plant and equipment. The subsistence of the workers is measured by the amount of goods and services they consume.

By deducting the workers' subsistence and the depreciation of the capital stock from the total output, one is left with the net product of industry as the remainder. "The net product is the amount by which this actual production exceeds its own costs, as counted in terms of subsistence and including the cost of the necessary...equipment."<sup>180</sup>

<sup>177</sup>Ibid., p. 156.

<sup>178</sup>Ibid., p. 155.

<sup>179</sup>Veblen, The Vested Interests and the Common Man, p. 55.

<sup>180</sup>Ibid., p. 55.

However, much of this "net industrial product" is devoted to nonserviceable consumption. This amount is approximately that which he referred to in his Theory of the Leisure Class as "conspicuous waste." The people using up this material are here referred to as "kept classes." "Indeed, it would seem that the numbers and average cost per capita of the kept classes...affords something of a rough measure of the net product habitually derived from the community's annual production."<sup>181</sup>

In order to determine the potential growth of an economic system, these items must be removed. For this, Veblen has a concept which he refers to as the "maximum potential total product."<sup>182</sup> It is much larger than the actual, but the measurement of the difference between the two is extremely difficult. The maximum net serviceable product is determined by deducting from the maximum potential product only the necessary costs of manpower and capital equipment, or "the necessary consumption of subsistence and industrial plant."<sup>183</sup>

In "necessary subsistence" is included only the goods essential to sustain the flow of manpower. It is less than the actual subsistence of the working population, because this actual subsistence includes articles of "conspicuous consumption" that are not necessary.

In "necessary consumption of industrial plant" is included only that allocated to production of useful goods and services. The main deduction from the "costs of production" would be that for "salesmanship,"

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<sup>181</sup>Ibid., p. 56.

<sup>182</sup>Ibid., pp. 163-4.

<sup>183</sup>Ibid., p. 63.

advertising, competitive management designed to increase sales."<sup>184</sup>

These costs increase the vandsbility of the product, which is the motive of the businessman, but do not necessarily add to the serviceability of the product or to the welfsre of the community. "Their employees pay the wages to thesa persons, not because their work is productive of benefits to the community, but because thair work brings a gain to the employers."<sup>185</sup>

The resulting net return of output over cost would be the maximum surplus made possible by the full, unhindered use of the nation's technological knowledga. "The disposable excess of production over cost [the maximum potential net product] is a matter of the efficiency of the available state of technological knowledge and of the measure in which the working population is put in a position to make use of it."<sup>186</sup>

In other words, in order to determine the potential maximum growth of an economic system, one must first remove from production those goods which ara of a nature of conspicuous waste, and from the costs of production, those costs of a business nature, rather than of an industrial nature.

Any nation that directs its resources, manpower, and capital stock into the unhindered production of servicesble goods will not only maximize its net product, but will also be in a position to allocate

<sup>184</sup>Ibid., p. 64.

<sup>185</sup>Veblen, The Theory of Business Enterprise..., pp. 33-35.

<sup>186</sup>Veblen, The Vested Interests and the Common Man..., p. 56.



this net product to the production of growth-fostering goods, since, when the net product is maximized it would greatly exceed the necessary cost of that production.<sup>187</sup>

Veblen cites the growth of industrialized Japan and Germany, "before the middle of the nineteenth century, and after the close of the century," as examples of what industrial technology could do, if used correctly;<sup>188</sup> by "borrowing" technology, unhampered by the restrictions to growth which grew up in the institutional setting in the country from which the technology is borrowed.

The amount of the net surplus that goes into the production of more capital equipment, then, is the most important factor. Economic growth, to Veblen, is made possible through the use of labor, resources, and capital equipment. Capital equipment, which is the embodiment of science and technology, is the crucial factor in the production process.

Under the new order, the first requisite of ordinary productive industry is no longer the workman and his skill, /as it was under the handicraft era/, but rather the mechanical equipment and the standardized process in which the mechanical equipment is engaged. And this latterday industrial equipment and process embodies not the manual skill, dexterity, and judgment of an individual workman, but rather the accumulated technological wisdom of the community. Under the new order of things the mechanical equipment ...takes the initiative, sets the pace, and turns the workman to account in the carrying-on of those standardized processes of production that embody the mechanistic state of the industrial arts....<sup>189</sup>

Changes in technology alter the industrial process and the equipment associated with the process. Today it is technology, and hence

<sup>187</sup> Ibid., p. 65.

<sup>188</sup> Ibid., p. 56.

<sup>189</sup> Ibid., p. 37.

capital, that sets the pace for economic activity, determining the extent to which resources become available, and fixing the limits within which labor and resources may be utilized as factors of production. The workers and materials are "indispensable but subsidiary" -- items of production cost which are incorporated in the running expenses of the plant and its production processes.<sup>190</sup>

As capital accumulates, a "mutation of character" takes place, and machinery and processes undergo a significant change.<sup>191</sup> At the same time, the firms in the key industries shift gradually from smaller to huge firms.<sup>192</sup> As the size of these firms increase, the productivity of both labor and capital increases. At the same time, there is a division between those who own the property and those who actually run the mechanical operation (Veblen's division between business enterprise and industrial technology).

Those close to the machine process develop habits of thought appropriate to the process. They think in terms of mass-production, and a scientific, matter-of-fact approach. Classes removed from the process continue to have economic attitudes reminiscent of a past era, when labor, rather than capital, set the pace of industry.<sup>193</sup>

One can follow the remainder of the argument in Chapter VII of The Theory of Business Enterprise. Due to their obsession with maximum possible profits, it is in the interests of the businessmen to

<sup>190</sup>Ibid., p. 38.

<sup>191</sup>Ibid., p. 42.

<sup>192</sup>Ibid., p. 42.

<sup>193</sup>Veblen, Absentee Ownership and Business Enterprise..., pp. 209-11.

sabotage the system. The main point of the argument is that one wishes to remove the hindrances to growth. Therefore, in this case, since the greatest hindrance is the system of pecuniary business enterprise, with its recurrent crises and depressions, the object should be the removal of this hindrance.<sup>194</sup>

The main waste comes in the form of "(a) Unemployment of material resources, equipment and manpower;... (b) Salesmanship;... (c) Production ...of superfluities and spurious goods; (d) Systematic dislocation, sabotage and duplication..."<sup>195</sup>

In order, then, to obtain the "maximum potential net product," or to get the most out of the technological knowledge of the culture, to promote the greatest growth, one must remove those institutional hindrances to this goal. In this culture the hindrances are in the practices of the system of business enterprise, and hence, the system must be removed; a familiar theme.

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<sup>194</sup>Veblen, The Theory of Business Enterprise..., pp. 87-127.

<sup>195</sup>Veblen, The Engineers and the Price System..., p. 108.

## CHAPTER IV

### CONCLUSION -- IMPACT OF VEBLEN'S IDEAS

The impact of such a man as Thorstein Veblen is extremely difficult to assess. However, an attempt will be made to show some of the more concrete evidences of his thought on certain topics.

The impact is best shown, naturally, through the writings of his students. Wesley C. Mitchell, for instance, felt that since economists study mass human behavior, and since institutions mould human behavior, it is to the institutions making up a society that economists should turn. The following quotation from his book, The Backward Art of Spending Money and Other Essays, could almost have been written by Veblen:

It will become evident that orthodox economic theory...is not so much an account of how men do behave as an account of how they would behave if they followed out in practice the logic of the money economy. Now the money economy...is in fact one of the most potent institutions in our whole culture. In sober truth, it stamps its pattern upon wayward human nature, makes us all react in standard ways, to the standard stimuli it offers, and affects our very ideals of what is good, beautiful, and true. The strongest testimony to the power and pervasiveness of this institution in molding human behavior is that a type of economic theory that implicitly assumed men to be perfectly disciplined children of the money economy could pass for several generations as a social science. The better orientation we are getting will not lead economists to neglect pecuniary logic as a sterile or exhausted field. On the contrary, not only will it make clear the limitations of the older work, but it will also show how the old inquiries may be carried farther, and how they may be fitted into a comprehensive study of economic behavior.<sup>196</sup>

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<sup>196</sup>Institutional Economics, Veblen, Commons, and Mitchell Reconsidered..., p. 96.

Two of Veblen's basic tenets -- that of substantiation of theory with fact, and that of being against making policy -- were carried out by Walter Stewart and Wasley Mitchell.

Stewart, a former student and later a junior colleague of Veblen's at Missouri, was the creator of the Federal Reserve Index of Industrial Production.<sup>197</sup>

Mitchell, one of the founders of the National Bureau of Economic Research, and its spokesman for years, put both tenets into operation; that against giving policy recommendations, because he felt that scholars, as such, had no particular claim to express judgment. In the Twenty-Fifth Report of the Bureau, he takes the position that: "Those who are trying to do scientific work in the peculiarly complex field of economics have no more and no less claim to sit themselves up as economic judges than chemists or physiologists."<sup>198</sup>

It would also seem that today there is very little labor economics that is not institutional in its orientation. "Trade unions, powerful employers and employers' associations, the network of labor law, and the process of collective bargaining create an institutional environment that no student of wage determination or of the labor movement can neglect."<sup>199</sup>

Robert F. Hoxie, a student of Veblen's, is noted for his analysis of labor unions as institutions, and is noted for his four classifications of unionism, with the trend toward "business unionism."<sup>200</sup>

<sup>197</sup>Ibid., p. 60.

<sup>198</sup>Ibid., p. 106.

<sup>199</sup>Ibid., p. 132.

<sup>200</sup>Dowd, op. cit., p. 7.



For the most part, labor economics textbooks view unions as an institution, with the theory of wage distribution taking up at most a chapter, and then seemingly as a footnote to the general text material, rather than an integral part of the material.

There are numerous theories of the labor movement, as an institution.<sup>201</sup> Of these, probably the most Veblenesque is that of Karl Polanyi,<sup>202</sup> who saw labor unions and socialism as arising out of the need for protection of workers from the workings of the market mechanism. His theme is as follows:

We submit that an avalanche of social dislocation...came down upon England; that this catastrophe was the accompaniment of a vast movement of economic improvement; that an entirely new institutional mechanism was starting to act on Western society; that its dangers, which cut to the quick when they first appeared, were never overcome; and that the history of nineteenth century civilization consisted largely in attempts to protect society against the ravages of such a mechanism.<sup>203</sup>

It is quite ironical that the law, which Veblen had the greatest contempt for as being one of the greatest institutional hindrances to change,<sup>204</sup> and preserving the rights of the "vested" property interests, has been the leading source of change in the ideas toward the rights of private property, especially in the field of labor law.

<sup>201</sup>Neil W. Chamberlain, The Labor Sector: An Introduction to Labor in the American Economy (New York: McGraw Hill Book Company, 1965), pp. 251-275.

<sup>202</sup>Karl Polanyi, The Great Transformation: The Political and Economic Origins of Our Time (Boston: Karl Polanyi, 1944).

<sup>203</sup>Ibid., p. 40.

<sup>204</sup>Veblen, Absentee Ownership..., pp. 206-8.

Veblen's ideas on the division of corporate ownership from the management of the operations<sup>205</sup> have had a decided influence on the studies made in this field.

Probably no writer today shows Veblen's influence as much as does Professor C. E. Ayres, of The University of Texas. His book, The Theory of Economic Progress,<sup>206</sup> abounds with Veblenian terms and ideas.

Ayres is in accord with Veblen's criticism of orthodox economics. The orthodox economists' "distribution categories...of factors of production" is nothing but "distributive categories...of the division of money income among its typical recipients" and does not derive from an analysis of physical production.<sup>207</sup>

Value to Ayres is a relative thing; relative, that is, to the pecuniary cultural setting in which it arises today, just as it was to Veblen, and not something quantifiable in terms of price analysis, as orthodox economists make it.

Value today is relative to the mores which make up today's institutions, and does not mean the same as value did previous to this period, and will not mean the same in a subsequent period. His views on orthodox economics are as follows:

The founders of the classical tradition of political economy held the belief of the eighteenth and earlier centuries that genuine and stable, if not eternal, values do exist and are somehow knowable; that such values are registered in demand

<sup>205</sup>Veblen, The Vested Interests and the Common Man..., pp. 44-6.

<sup>206</sup>Ayres, op. cit.

<sup>207</sup>Ibid., p. 261.

and therefore measured by price; and hence that the economic affairs of commercial societies are meaningful, since they are organized by price which is the measure of value.<sup>208</sup>

Ayres goes on to say that:

The whole point to the price theory of value is that price is a social mechanism by virtue of which the community achieves some sort of value-economy of real significance.... There is no escape from the paradox that price quantifies vice quite as readily as virtue except...with the assumption that..."wants are primary data".... Prices can be assumed to "measure value" only on the assumption that the people whose "wants"...they summarize are all endowed with the wisdom of Solomon. Since they are not so endowed, prices do not measure real values, but only quantify the judgements people make antecedent to their price transactions .... Price also quantifies mistakes.... Whether those judgements are wise or foolish is determined not by the pricing mechanism but by their relation to the technological life-stream.<sup>209</sup>

Veblen felt that economics should be interested in the whole make-up of man, and not just their "economic interests," since it is virtually impossible to separate the economic interest from the rest of man's make-up. Ayres shows his agreement in the following statement: "Since economic activity is a part of the whole of human activity, the analysis of that activity must comport with the analysis of behavior generally."<sup>210</sup>

Another point of similarity is that concerning the preconceptions which underlie orthodox economics: "The classical economists were quite right in deriving their economics principles from the theory of human behavior; the fault...lay in the conception of human nature which prevailed in the eighteenth century."<sup>211</sup>

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<sup>208</sup> Ibid., p. 208.

<sup>209</sup> Ibid., pp. 226-7.

<sup>210</sup> Ibid., p. 89.

<sup>211</sup> Ibid., p. 90.

Ayres' theory of economic progress is essentially that put forth by Veblen. History gives a record of conflict between technological progress and "imbecile institutions." It is the problem and the job of the economist to determine the restrictions to economic progress so that the culture may be rid of them. To do this, they must study the institutional make-up of that culture to determine how they came to be what they are and why they are in their present form, and not just to take them simply as "givens" and use that as the point of departure in their analyses.

Ayres uses the example of India to support Veblen's contention that only those directly connected with the machine process will be affected by the thinking engendered by the process, while those removed from it use a psychology of a different period -- India with its industrially advanced cities and its vast backward countryside -- and maintains that only education can correct the situation.<sup>212</sup>

There is a significant difference, says Ayres, between viewing institutions as agents fostering progress -- as most people viewing the Industrial Revolution do see them -- and viewing them as forces unable to restrict the progress which has been fostered by technology.

The power-system and its legendary background, the system and theory of capitalism, is not the author of the industrial technology by which the modern community gets its living and on which it therefore completely depends. It is the residue of our ceremonial past, and as such it is an impediment to economic progress as ceremonial properties have always been. This does not mean that we may expect, or that we should intend, its speedy dissolution. But it does define the problem of value and welfare which industrial society has now to face.<sup>213</sup>

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<sup>212</sup>Ibid., p. xxiii.

<sup>213</sup>Ibid., p. 202.

His statement of the basic conflict going on throughout the history of the human race, between technology and institutions is the same as that of Veblen.<sup>214</sup>

The business of "getting a living" includes both these functions /technological accumulation and ceremonial waste/. That is, it includes activities of a technological character, and it also includes activities of a ceremonial nature; and these two sets of activities not only co-exist but condition each other at every point and between them define and constitute the total activity of "getting a living." It is the problem of economic analysis to distinguish and understand these factors, and their mutual relation, and the configuration of economic activity for which they are responsible.<sup>215</sup>

Ayres uses the change in the dominant place land held between feudal and modern times to illustrate his point that "technological development forces change upon the institutional structure by changing the material setting in which it operates."<sup>216</sup>

There is much controversy today over the question of whether institutionalism today is that which Veblen promulgated. It would seem to the writer that those institutionalist writers who have, in the main, expressed nothing but contempt for any theory, and who have eschewed abstract thinking and rested their talents on purely empirical studies of "actual economic situations," are not Veblenian institutionalists, and would fall under the same criticism which Veblen meted out to the German Historical School. They "have not presumed to offer a theory of anything or to elaborate their results into a consistent body of knowledge. Any evolutionary science...is a close-knit body of theory. It is a theory of process, of an unfolding sequence."

<sup>214</sup>Ibid., p. 214.

<sup>215</sup>Ibid., p. 99.

<sup>216</sup>Ibid., pp. 187-189.



It would seem to this writer that those institutionalists who do offer a theory, such as Ayres, of the working of the economic system, are the true followers of Veblen.

It further seems that the greater part of this type of work is being done in that area of study known as the study of backward or underdeveloped countries. It is in this area that we find systematic work being done on the way in which the institutional environment impinges on economic behavior and on the way in which customs and habits inherited from the past conflict with the requirements of modern technology.

As a result of studies such as these, one can say, as Ayres has said, that it is lack of education that is the greatest drawback to economic progress. One cannot deny Veblen's impact on any of these fields of thought here listed, and especially the last covered.

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THORSTEIN VEBLEN: HIS LIFE, INFLUENCES, IDEAS, AND IMPACT

by

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Thorstein Veblen was the native-born son of Norwegian immigrants. The first seventeen years of his life were spent in a cultural environment similar to that of rural Norway. There was little or no contact between the native Americans and the immigrant Norwegians.

At the age of seventeen, Veblen was sent to Carleton College Academy, from there to a small church-operated academy where he taught for a year. After this he moved to Johns Hopkins, where, failing to obtain a scholarship, he journeyed to Yale, from which he emerged with the degree of Doctor of Philosophy in the field of Philosophy.

Failing to obtain a teaching position after his graduation, Veblen spent the next seven years reading. It was also during this period that he married Ellen Rolfe, whom he had met while at Carleton.

In 1891, Veblen went to Cornell University, where he studied Economics under J. Laurence Laughlin, whom he followed to Chicago University the following year. While at Chicago, his first two books were published. He was forced to leave in 1906, due to extramarital difficulties. The next three years were spent at Stanford University. Once again he was forced to resign, and for the same reason. In 1911, he obtained a position at Missouri University, where he remained until 1917, when he obtained a position with the U. S. government. The position lasted some five months, and from there he went on to become the editor of The Dial. In 1919, he began lecturing at the New School, and from there went to California, in 1926, where he stayed until his death in 1929.

In all, Veblen published nine books. In addition to this, two books were published containing some of his articles. The main theme of all his writings, with the exception of some of his technical essays, was that of a conflict of opposing forces; the one force creative and dynamic, the other past-binding.

Veblen's study took him into the fields of Economics, Philosophy, Sociology, Biology, Anthropology, Socialism, History and Psychology, all of which contributed to his ideas. In addition, the cultural influences and the events of his life-time had a great effect on his writings.

Veblen's criticisms of other schools of economic thought included the German Historical School, whose greatest fault he thought to be a lack of any theory. He criticized Karl Marx for using a hedonistic psychology. The main criticisms he had against the orthodox school of economic thought were that they had preconceptions based on eighteenth century philosophical tenets and that they were using hedonistic psychology.

His theory of business cycles grows out of his dichotomy between business enterprise and industrial technology, as does his theory of growth.

Although Veblen had a great impact on labor economics and on statistical measurements, his greatest impact seems to be in the field of study on underdeveloped countries.